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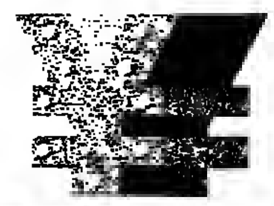

Steel industry
Price shock as Japan's needs rise
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Matsushita faces currency loss after MCA deal

Matsushita, the Japanese consumer electronics company, will make a substantial foreign exchange loss this year as a result of its sale of an 80 per cent stake in MCA, the US entertainment company. President Yoichi Morishita said the sale of the stake to Seagram, the Canadian drinks company, would result in a foreign currency exchange loss in its 1995 accounts. Page 17; Lex, Page 16

Winnie Mandela sues over dismissal:

Winnie Mandela (left), sacked last month from South Africa's government of national unity, has started legal proceedings against her estranged husband, President Nelson Mandela, in an effort to have her dismissal declared "unlawful and unconstitutional". Her court action is being supported by Chief Mangosuthu Buthelezi, minister of home affairs and leader of the mainly Zulu Inkatha Freedom party. Page 6

Iran rejects appeal on Rushdie: Tehran radio rejected a European Union appeal urging Iran to declare it would not kill Salman Rushdie, the Indian-born author of *The Satanic Verses*.

Zurich heads $2bn Kemper bid: An investment group led by Zurich Insurance, one of the world's largest insurers, announced an agreed $2bn bid for Kemper, the embattled US insurance and fund management company. Page 17

Gun maker faces suit after shootings: Relatives of seven people killed in a gunman's rampage can sue the manufacturer of the assault weapons he used for damages, a San Francisco judge said in a precedent-setting ruling. Page 5

Chinese revolutionary leader dies: China's media paid tribute to Chen Yun, a veteran leader of the Communist revolution who died aged 90. Page 16; Obituary, Page 4

Santer discusses $400m Ulster initiative: European Commission president Jacques Santer opened a conference in Northern Ireland to discuss implementing the European Union's Ecu300m ($400m) initiative for Ulster. Page 8

Warning on German job creation: Germany's leading economic institutes warned the government that the impact of a strong D-Mark and a round of generous wage increases were undermining the ability of German companies to create jobs. Page 16

French bank forecasts growth: The governor of the Bank of France said the country's economic recovery looked firmly established, while stressing the importance of widespread structural reforms to help generate new jobs. Page 3

Samsung to put $4bn into China: Samsung, South Korea's biggest conglomerate, plans to invest $4bn in China by 2000. Page 21

Nuclear plant loan set for approval: The European Bank for Reconstruction and Development is on the verge of approving a controversial DM412.5m ($295m) loan to complete a Soviet-built Slovakian nuclear power station, located near the Austrian border. Page 2

Russian commander dismissed: The Russian commander of United Nations peacekeepers in a Serb-held enclave of Croatia was removed from duty for black marketeering and collaboration with local rebels, UN officials said. Page 2

EU television decision unlikely this year: The European Union is unlikely to decide this year what to do about proposals for tighter limits on imported films shown on EU television, culture commissioner Marcelino Oreja said.

Australia agrees competition deal: Australia's federal and state governments reached agreement on a financial compensation package clearing the way for the introduction of national competition policy reforms. Page 4

Women 'earn 40% less than men': Women earn on average 40 per cent less than men of the same age and with the same education level, a report by the Organisation of Economic Co-operation and Development revealed.

Former FT chairman dies: Alan Hare, distinguished soldier-spy and later managing director, chief executive and chairman of the Financial Times in the 1970s and early 1980s, has died aged 76. From 1983 to 1990 he was also chairman of the *Château Latour* wine estate. Obituary, Page 9

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,184.66	(-13.49)
NASDAQ Composite	822.42	(+1.16)
Europe and Far East		
CAC40	1,869.31	(-11.61)
DAX	1,993.73	(+21.44)
FT-SE 100	3,190.9	(-13.3)
Nikkei	16,258.8	(+105.79)

■ US LUNCHTIME RATES

Federal Funds	5 15/16%	
3-mth Treas Bills: Yld	5.827%	
Long Bond	102 21/32	(102 13/32)
Yield	7.397	

■ OTHER RATES

UK: 3-mo interbank	6 17/32%	(6 15/32%)
UK: 10 yr Gilt	100 3/8	(100 11/32)
France: 10 yr OAT	97.96	(98.08)
Germany: 10 yr Bund	101.49	(101.75)
Japan: 10 yr JGB	107.377	(107.607)

■ NORTH SEA OIL (Argus)

Brent 15-day (May)	$18.525	(18.04)

■ GOLD

New York: Comex		
Jun	$393.9	(392.6)
London:		
close	$390.4	(389.2)

■ DOLLAR

New York: lunchtime		
£	1.5953	
DM	1.39975	
FFr	4.898	
SFr	1.1505	
Y	83.725	
London:		
£	1.5962	(1.5935)
DM	1.401	(1.4055)
FFr	4.8833	(4.8865)
SFr	1.1515	(1.157)
Y	83.635	(83.085)

■ STERLING

DM	2.2362	(2.2395)
Tokyo close:		Y 83.45

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw100.00	Iceland	IKr220	Nigeria	Naira60	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz.	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils625	Portugal (m'land)	Esc230	Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

EU bows to employers over rights of workers

By Robert Taylor, Employment Editor, in London

The European Commission will today formally abandon its commitment to the wide use of legal measures as a way of strengthening workers' rights throughout the European Union.

In a move likely to provoke widespread anger among trade unions and the dominant socialist group in the European parliament, the Commission is bowing to employer demands that competitivaness and job creation should become its main priorities.

The plan laying out the social policy for the next three years will be outlined in Brussels by Mr Padraig Flynn, social affairs commissioner. A final version of the agenda emphasises that the programme is not "a radical new departure" but "a continuation" of the strategy set out by Mr Jacques Delors, the former Commission president, in his white paper on competitiveness published two years ago.

"Total harmonisation of social policies is not an objective of the Commission or the Union," the document says. "There cannot be social progress without competitiveness and economic growth."

Mr Flynn's programme stresses that "a new balance must be achieved between what is economically necessary and what is socially desirable".

The plan covers a range of proposals, including the monitoring of member states' performance in employment creation. There must be greater collaboration between governments, employers and unions in seeking unemployment cuts, it states.

New initiatives are promised on education and training, while freedom of movement is to be encouraged in building a European-wide labour market.

The plan says it will tackle the problems of social exclusion for the poor, the unemployed, the disabled and racial minorities, but this is to be done mainly through debate, exhortation and an emphasis on encouraging member states voluntarily to accept minimum standards.

The document will please those who want a halt to further social regulation. Mr Flynn favours the Commission becoming "a catalyst" in promoting joint discussion, exchange of experience and "concerted action on a transnational basis in responding to common problems". However, the report says it is "flexible", and further directives may be necessary if agreed by unions and employers.

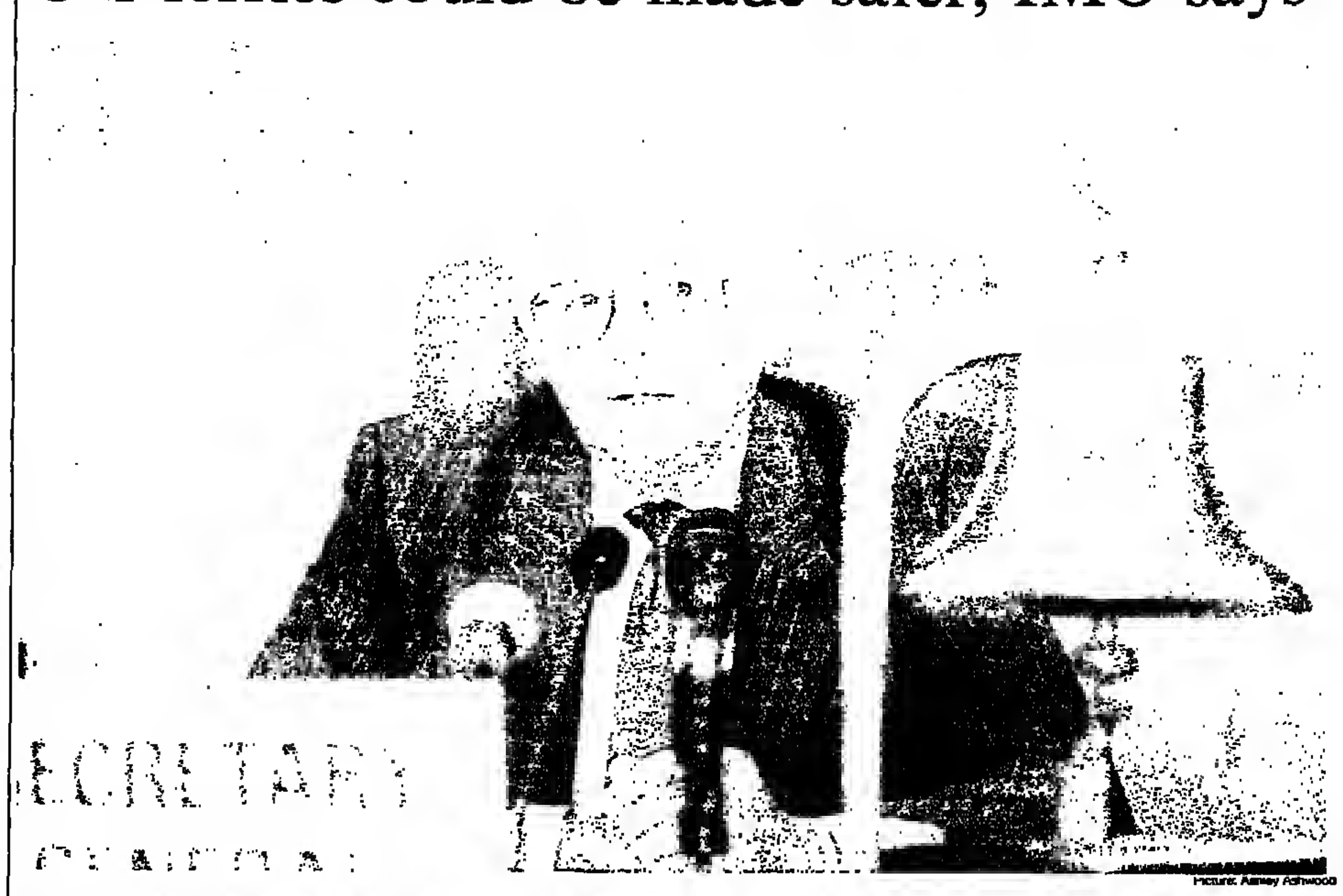
Trade unions are likely to welcome a proposal to develop a "common framework of minimum social standards".

A code of practice is promised on equal pay for work of equal value as part of a medium-term strategy to improve equality of opportunity between men and women. Studies will be completed on the protection of workers' privacy; teleworking; and the right to payment of wages on public holidays and during illness.

Mr Emilio Garbaglio, general secretary of the European Trade Union Confederation, said yesterday he was "disappointed" by the plan. "There are too many words and not enough action in it," be added.

New realism, Page 2

Car ferries could be made safer, IMO says



Picture: Ashley Ashwood

Roll on-roll off car ferries are safe but could be made safer, Bill O'Neil (above), secretary-general of the International Maritime Organisation, said yesterday.

Mr O'Neil, who heads the UN maritime safety agency, was outlining recommendations of a panel set np to investigate the safety of roll on-roll off ferries. The study was spurred by the sinking of the Estonia in the Baltic last year with the loss of more than 900 lives.

The IMO panel focused on the most dangerous problem for roll-on, roll-off ferries – build-up of water on the enclosed vehicle deck. It was this problem, followed by sudden movement to one side, that led to the rapid capsizing of several ferries.

Among the panel's recommendations was that ferries should have an inner bow door to act as a second line of defence against collision; that andible alarms sbould be fitted to key doors; and that the bridge and engine room sbould monitor closed-circuit televisions on vehicle decks for leakage. *AP and Staff*

Brussels bans Japanese fish imports

By Lionel Barber in Brussels, Michiyo Nakamoto in Tokyo and Frances Williams in Geneva

The European Union has banned imports of Japanese fish because of hygiene concerns, the European Commission said yesterday.

The decision was taken last Friday after routine inspections indicated that sanitary conditions in Japan's frozen-fish establishments were not sufficiently high. The indefinite ban will affect imports of about 6,000 tonnes of fisb at a cost of about Ecu20m ($15.2m), a Commission official said.

He emphasised that the decision was not linked to other EU-Japanese trade disputes, and was not an effort to prise open Japanese markets.

The Commission has imposed similar bans on fish imports in the past few years on hygiene grounds, with restrictions on products from Turkey, Morocco and Scotland.

Tbe Japanese ban covers shrimps, scallops and *surimi*, a semi-processed mixture of flaked fish. It follows a mission by veterinary inspectors to Japanese establishments.

In 1990, the EU imported 10,000 tonnes of Japanese fish products at a cost of about Ecu 34m. The volume has declined, partly as a result of similar action in 1993 when the EU banned some shellfish imports from Japan because of incidents of food poisoning from scallops. That ban was lifted in April 1994.

Japan's Ministry of Agriculture, Fisheries and Forestry said the move was an overreaction. "The EU officials who came to Japan inspected only a few processing sites. To ban all Japanese imports on the basis of the few places they saw is a strict measure."

Japanese marine products had not caused any ill bealth problems in the domestic market, he said. Yaohan, a Japanese supermarket in London, said it was "very dismayed by a decision that affects us very badly".

The EU move was initiated because of the failure of Japanese companies to comply with EU standards for sanitary and production management conditions.

There has been growing international concern over the use of food safety and animal and plant bealth regulations as barriers to trade. Increasing use of sucb actions led to the inclusion of an international agreement on sanitary measures in the Uruguay Round of global trade talks.

The accord, which came into force in January, says governments sbould not impose unnecessarily restrictive bealtb and safety measures. Governments should use international norms.

Last week, tbe US lodged a complaint under the auspices of the World Trade Organisation – successor to the General Agreement on Tariffs and Trada – against South Korea's inspection requirements for fruit and vegetables. The complaint may result in a WTO disputes panel.

Madrid deplores threats, Page 2

Paris EuroDisney saviour comes up trumps at Plaza

By Richard Tomkins in New York

Prince Alwaleed bin Talal bin Abdulaziz, the Saudi prince who last year rescued the financially-stricken EuroDisney theme park outside Paris, yesterday emerged as a surprise investor in another famously debt-laden leisure business: the Plaza Hotel in New York.

The 38-year-old naphew of Saudi Arabia's King Fahd is to take a controlling stake in the landmark hotel in partnership with another of the world's wealthiest men, Mr Kwek Leng Beng, chairman of the Singapore-based Hong Leong conglomerate – reducing the role of Mr Donald Trump, the property developer, to that of a minority shareholder.

The Plaza, whicb overlooks Central Park, has long been at the heart of New York life. It was where J. Edgar Hoover, the legendary head of the FBI, stayed on his visits from Washington. Where photographer Cecil Beaton proposed marriage (unsuccessfully) to Greta Garbo. And where the Beatles stayed on their first visit to the US.

The hotel has a place in financial history as the scene of the 1985 Plaza Accord, the international agreement to prop up the dollar, and in films as the setting for the comedy *Plaza Suite*.

Prince Alwaleed and Mr Kwek's CDL Hotels International will invest an initial $28m on improvements to the hotel over the next two years. They have also offered to pay off $75m of the hotel's $300m mortgage debt over the next three years.

Mr Trump, the US casino operator and property developer who came close to bankruptcy in 1992, acquired the 805-room Plaza Hotel for $407m in 1988. The money was lent by Citibank, the US bank, whicb also provided further funds for a renovation of the hotel snpervised by Mr Trump's first wife, Ivana.

Mr Trump had planned to turn the npper storeys of the hotel into flats and create a shopping centre in the lobby and basement. However the price paid for the botel was high and the cost of servicing the debt left insufficient cashflow to finance the redevelopment.

In 1992 Mr Trump had to yield a 49 per cent stake in the hotel to Citibank after defaulting on a $125m personal loan. But as recently as January, when it emerged Mr Kwek's CDL Hotels International was poised to taka a stake, he vowed to retain majority control.

Mr Abe Wallach, executive vice president of The Trump Organisation, said yesterday: "I think having 51 per cent wben you can't turn to the right or left or take advantage of the assets is worth far less than having an ownership stake in an entity that has a sound financial footing."

Details of the transaction have not been disclosed. The botel made $28m before interest last year.

Picture, Page 17

Pechiney sells $2bn assets to cut debt

By John Ridding and Kenneth Gooding in Paris

Pechiney, the French aluminium and packaging group, set out a radical restructuring plan yesterday involving the sale of FFr10bn ($2bn) of assets and a significant capital increase to prepare the group for privatisation.

Mr Jean-Pierre Rodier, who took over as chairman last year, said he aimed to have the group ready for sale by the end of the year. "We are writing the script for a more interesting film in the future," he told investors and analysts.

Radical measures were necessary to cut the group's debts and return Pechiney to profit after losses last year of FFr3.75bn, he said. The heavy losses, indicated in February, compared witb a net deficit of FFr980m in 1993. They were largely the result of a write-down of assets.

Pechiney International, the group's publicly quoted packaging arm, also confirmed that it lost FFr4.5bn last year.

The recovery strategy is based

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New realism dictates EU social policy

Agenda for next three years will be determined by more discussion and the consolidation of existing legislation, writes Robert Taylor

The European Union's social action programme for the next three years, to he published today, marks an important shift in the direction of European social policy.

Over the past five years – partly under the influence of former EU president Jacques Delors – the emphasis was on the need for laws. Bot under pressure from the employer lohhy and growing concern among a number of member governments about European competitiveness, the emphasis has changed.

The agenda for the next three years – drawn up hy Mr Padraig Flynn, social affairs commissioner – reflects the new realism inside the European Commission. The radical call for change has gone. Instead, the social action programme stresses the need to consolidate existing legislation and calls for more discussion and less regulation.

Such an approach will arouse considerahle criticism hoth among the European trade unions and the Socialist majority in the European Parliament, who want a social policy more sympathetic to the demands of organised labour.

Mr Flynn, who is already the subject of considerable suspicion on the European left, will need all his diplomatic skills to convince the unions in particular that their interests are not being abandoned.

All sides will agree with his concern that there should be a "more effective application" of existing European employment law through greater clarity, openness and precision, with more surveillance and use of, as yet, unspecified sanctions. Mr Flynn wants EU legislation to be "simplified, updated and clarified where necessary" if it is to be fully enforced inside the Union.

There is also general acceptance of making employment tha EU's "top priority" in the social area. Mr Flynn proposes monitoring employment trends and the use of structural funds totalling Ecu141hn (£116.5bn) over the five years to 1999 to promote jobs.

His proposals for "building a European labour market" will not raise much complaint either. Such measures as a new draft directive to establish a framework to protect individual employees' pension rights in schemes that involve crossing frontiers is acceptahle. But the unions will not be happy with his call for a number of debates which mean postponement of decision-making.

Talking about obstacles to free movement of labour; on opening up employment opportunities in the public sector; on social security for migrant workers; and the future of third country nationals permanently and legally resident in the EU is not likely to be enough to satisfy the unions.

All sides will agree with the report's assertion that "high labour standards" should be encouraged as "part of a competitive Europe".

The programme promises "the possibility of a first-step legal directive on part-time employment after consultation with employers and unions". A detailed study is also promised this year on national rules and practices of individual dismissals. Talks are to be held with the unions and employers by the first half of next year, with a possihle draft directive emerging.

If necessary, the Commission will bring forward proposals to complete the directive on working hours in 1996-1997. Discussions are to be held on the groups so far excluded, including those in transport, sea fishing, inland waterways, civil aviation, sea transport and doctors in training. Encouragement will be given for measures to improve the conditions for home workers.

The document hopes the Commission can adopt this year an amended and updated directive on transfer of undertakings to replace the 1977 legislation. If no progress is made by the end of this year on a directive covering the posting of workers, consultations will be held with the unions and employers to "review how best to resolve the problems".

Debates will be launched on the rights of individual workers to be consulted on internal company matters. Action is promised by 1997 on flexibility and work organisation. A study is being made into illegal work "with a view to eliminating practices which distort fair competition between states".

The plan favours the launch of "a new phase" on equality of opportunity for women and men "underpinned by a medium-term strategy" with action over "reconciling family and working life; desegregating the labour market and extending the principle of equal treatment and promotion of the concept of citizenship for women".

EBRD chief warns of risk to projects

By Anthony Robinson and Gillian Tett in London

The European Bank for Reconstruction and Development will complete a study of its future capital needs hy next April. Government shareholders will thus be ahle to decide on a possihle capital increase at the bank's next annnal meeting, Mr Jacques de Larosière, its president, said yesterday.

"At the current project rate we will have committed all our resources by the end of 1997 and would have to cnrtail fnture projects withont an increase in resources," he added.

Speaking at the end of the bank's four-day annual meeting in London, he said the review of the bank's finances would be all-embracing. "We will be reviewing our exit strategy from existing projects, the scope for increased loan syndication and co-financing arrangements" in order to maximise the leverage of bank projects and make best use of its capital resources.

He denied reports of a rift between North American and European shareholders over future increases in the bank's original start-np capital of Ecu10bn ($13bn), of which Ecu3bn has been paid up by the 59 shareholders.

"At this meeting shareholders expressed their satisfaction with the cost cutting and efficiency gains which have turned the EBRD into a well estahlished, effective institution," he said. The bank was facing a rising demand for project financing and was increasing its focus on ecological improvement and energy efficiency projects in the 25 post-communist countries in which it operates.

Earlier, the 23-strong board defined the bank's main role as "filling gaps where other finance was not available". In closed session, it stressed the importance of "leveraging the bank's resources" and promised to continue to provide equity and loans of longer maturities than those obtainable from the region's fledgling financial institutions.

The board elected Mr Lamberto Dini, Italy's prime minister, as chairman to replace Mr Pedro Solbes, the Spanish finance minister. One nf Mr Dini's main tasks will be to cut the costs of the board which alone accounts for 12 per cent of total spending.

Mr Kenneth Clarke, Britain'a chancellor of the exchequer, complained yesterday that board costs were "far too high". He questioned whether the delegations to the board needed to be so large, adding that if the directors were rednced sharply, overall costs could be reduced hy as much as a third.

These criticisms were echoed by Mr Larry Summers, the US Treasury chief for international affairs, whn called board costs "clearly excessive".

Bank prepares to bite nuclear bullet

Emma Tucker on the controversy over the proposed loan for a Slovak atomic plant

The European Bank for Reconstruction and Development is confronted hy a decision on the biggest, and hy far the most controversial, loan in its four-year history.

The object of the DM412.5m (£187m) loan is a Soviet-built Slovakian nuclear power station that sits, 90 per cent complete, just over the border from Austria. The Mochovce reactor project raises serious environmental questions, but it also fits into a hroader debate on economic spheres of influence and stahility in former communist central Europe.

On one side stands non-nuclear Austria, the newcomer in the European Union whose cause is backed hy the Green coalition across Europe. On the other, stands the French-led nuclear lobby in the shape of Electricité de France, the French state-owned monopoly battling to secure this and future contracts in the former Soviet bloc.

"There are so many had things about this whole affair that people are afraid to talk about it outside official circles," said a diplomat based in Brussels. "It is like a large pimple waiting to be squeezed."

Mochovce was dropped from the agenda of the EBRD's annual meeting after the Slovak government requested a delay in the decision on the plant's future. However, the arguments, which centre on the sensitive question of how to deal with dozens of poorly huilt reactors scattered across eastern Europe, continue.

The immediate issue is whether the EBRD and the European Commission should lend the Slovak government enough money to meet the DM1.3bn cost of finishing the power station.

Some EBRD officials favour committing the hank to its share of the financing – DM412.5m, making it the first multinational development agency to finance a nuclear plant. The hank has argued that completing Mochovce is the least-cost option for helping to meet Slovakia's energy needs. The loan would ensure that the plant was hrought up to western safety standards, and would help finance the closure of a much older, more dangerous power station at Bohunice.

These standards would he assured through the installation of western equipment and technical assistance from EdF, which would co-manage the plant with Bayernwerk and Siemens of Germany. In return, the Slovaks would have to meet a strict set of safety and financial criteria.

The nub of the EBRD's argument is that refusal to help could prompt the Slovaks to ask Russia for help in completing Mochovce and could delay closure of Bohunice. The fear, however justified, is that Russian aid could create an even bigger safety prohlem. "Soviet-era designed nuclear power stations are about as reliable as the weakest weld performed hy the drunkest welder," in the words of one critic.

Opponents of Mochovce, led hy the Austrian government and including certain officials within the EBRD and the European Commission, disagree. They believe it is impossible to guarantee safety in a reactor built largely under the old, lax safety regime and suffering from fundamental design flaws.

This week, Mr Alois Mock, Austria's foreign minister, raised the stakes at a meeting of European Union foreign ministers in Luxembourg. He warned aspiring members of the EU in central and eastern Europe that they could not expect to join the Union without adequate safety standards in their nuclear plants.

A further note of caution has come from the European Investment Bank which was asked by Brussels to give its opinion on a possible loan for Mochovce via Euratom, the EU-wide atomic agency. The EIB is not convinced that completing the power station is the least-cost option.

In a document that started life as a recommendation to the Commission hut was later watered down to an opinion, the EIB made plain its doubts. "While in view of its productive nature, the project is suitable for loan financing," it said, "the need to rely on very uncertain forecasts for a number of key variables does not make it possible to establish an unequivocal conclusion that the project constitutes the least-cost option to replace units 1 and 2 of the Bohunice nuclear power plant.... under some scenarios a phased investment in gas combined cycle capacity could be economically more adapted to the situation."

Mochovce's opponents, worried that western financing could encourage other east European countries to resurrect Soviet huilt nuclear reactors, have seized on this as evidence that the EBRD has not considered all alternatives.

Their suspicions have been further aroused hy evidence of strong French lobbying. It so happens that, within the EBRD, most of the officials charged with taking decisions on Mochovce are French. The only non-French member of the team – a Briton – left some weeks ago, and was replaced hy a Frenchman. The European commissioner with primary responsibility for the Euratom loan is Mr Yves Thibault de Silguy, also a Frenchman.

Commission officials point out that it would be impossible to har civil servants of one nationality whose country has an interest in commercial projects. But, as one said: "Electricité de France wants to expand into new markets on the back of European taxpayers. If they get this project they will get them all."

Plans to complete the Mohovce nuclear power plant in Slovakia with financial support from the EBRD are "half dead", Mr Andreas Staribacher, Austria's finance minister, said yesterday, writes Anthony Robinson. He claimed after talks with Mr Jacqnes de Larosière, the bank's president, that the deal was effectively suspended. Mr de Larosière himself refused comment other than saying: "The status of the project has not changed. A decision has been postponed at the reqnest nf the Slovak government last month." The Slovak delegation to the EBRD annual conference in London refused to comment.

The Austrian government has offered Mr Vladimir Meciar, the Slovak premier, up to $50m (£31m) to help finance alternative, non-nnclear energy sources as part of its fight to persuade the Slovaks both to close the existing Bohunice plant and use alternative, non-nuclear technology to complete Mohovce.

Madrid deplores Canadian threats

By David White in Madrid and Lionel Barber in Brussels

Spain yesterday accused Mr Brian Tobin, Canada's fisheries minister, of hlocking prospects for resolving the Atlantic fishing conflict by threatening to resume action against Spanish trawlers in international waters off Newfoundland.

Mr Luis Atienza, Spanish fisheries minister, said Ottawa was "firing shots below the water-line". He said Madrid was anxious for a deal, bnt "there cannot be an agreement under blackmail and threats".

Officials in Brussels said, however, that Spain needed a deal so as not to jeopardise its position in fishing negotiations with Morocco. "Spain has calculated that it cannot fight a war on two fronts," said an observer in Brussels. "It needs to settle with Canada."

Mr Atienza told the FT that the Spanish government was prepared to take the consequences, in puhlic opinion terms, for a sharp cut in the Spanish trawler fleet's catch of Greenland halibut (also known as turbot) off Canada. But a deal would be "politically more costly" if made under duress.

An agreement which left Spain 10,500 tonnes this year, out of an overall EU quota of 13,500 tonnes, or half the agreed 27,000-tonne overall limit, would be "satisfactory", he said. This would compare with an average Spanish catch of about 35,000 tonnes in recent years and a current unilateral EU quota of 18,630 tonnes.

Trawlermen fishing off Newfoundland yesterday made clear their opposition to any reduction in the EU catch below the 18,630-tonne level.

Mr Atienza said Spain's agreement would he conditional on "other political elements being clarified". This would include rejection of Canada's claim to a reserved "box" outside its 200-mile limit.

An EU-Canadian agreement would need to be ratified by a majority of countries in the Northwest Atlantic Fisheries Organisation, the international body charged with regulating fishing in the region, he said.

A number of the Spanish vessels operating off Newfoundland would have to be taken ont of service or transferred to other fishing grounds.

He expressed concern that the row with Canada might overlap with a "second front" of conflict with Morocco. EU representatives began a second round of talks with the Moroccan government in Rabat yesterday on a new fisheries agreement to replace the current accord which expires at the end of the month.

Morocco is aeeking sharp reductions in EU fishing off its coast and that of the western Sahara. About 90 per cent of the EU hoats fishing in the region are Spanish.

Meanwhile, the skippers of two trawlers of Spanish origin are expected to appear in court in Ireland on today. Their vessels were seized after a random spot check on Monday. The fishermen were suspected of exceeding their quotas.

American joins board in Siberia

By John Thornhill in Moscow

Irkutskenergo, one of the biggest energy utilities in Siberia, has taken the unusual step of appointing an American businessman to its board to represent the interests of foreign investors who own more than 10 per cent of its shares.

A few foreign executives have previously heen appointed to the boards of Russian companies. But this is believed to be the first time a leading Russian company has headhunted a foreign non-executive director to represent non-Russian investors and illustrates how some companies are heginning to take the issue of corporate governance seriously.

Russia's Federal Commission on Securities and Capital Markets, the industry regulator, has been trying to foster the concept of shareholder rights and encourage investors to exert real control over company directors. Both government officials and investors have been alarmed at examples of companies riding roughshod over their owners' interests erasing names from shareholder registers and secretly issuing shares.

At their annual meeting earlier this week, Irkutskenergo's shareholders elected Mr James Rogers, chief operating officer of Cinergy, the Cincinatti electricity generator, to its board. Irkutskenergo's directors said they would benefit from Mr Rogers' experience of working in a similar US company.

Irkutskenergo and Cinergy are comparahle in size and output. Irkutskenergo has a power generation capacity of 13,000 megawatts compared with Cinergy's 11,000MW.

Mr Rogers, who does not speak Russian, will be expected to travel from Cincinatti to Irkutsk at least four times a year to attend board meetings.

Mr Georg Kjallgren, director of Brunswick Brokerage, a Moscow-based stockhroking firm which has bought shares in Irkutskenergo and helped find Mr Rogers, said: "I was very surprised when the company approached me and said we would understand and accept if your clients wanted to have someone on our board."

Irkutskenergo is one of the cheapest energy producers in Russia because of its extensive use of hydroelectric power. But the company has been experiencing prohlems because of disputes over the grid network. It also has a volatile relationship with two local aluminium plants, its biggest customers.

Many Russian companies still view foreign investors with deep suspicion and nationalist politicians have criticised the way in which valuable assets have been sold off cheaply.

Mr Sergei Burkov, head of the parliamentary committee on privatisation, joined the chorus yesterday saying the second stage of privatisation threatened to cast Russia's economy into a "black hole".

● Mr Vadim Yafyasov, vice-president of the Siberia-hased Yugorsky Bank, was shot dead along with his bodyguard in Moscow on Monday night. The murders are the latest in a string of contract killings which have hedevilled Russia's banking industry.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850. Fax ++49 69 596 4481. Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: OVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN 0174-7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: O. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AS Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
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EUROPEAN NEWS DIGEST

EU business confidence hit

Political uncertainty and exchange rate volatility undermined business and consumer confidence across the EU in March, according to the latest survey carried out for the European Commission. "After a period of hesitation about the upturn of the economy, signals of pessimism have become apparent," yesterday's report warned. The Commission's economic sentiment index fell sharply to its lowest level in half a year in March, after declining fractionally in February. Confidence had risen steadily from the middle of 1993, turning downwards only towards the and of the year.

Expectations of industrial output growth fell in almost all member states last month, with companies in the construction industry gloomy in most countries. Industrial order books are weakest in the UK and Luxembourg and most buoyant in Denmark. Consumer confidence also fell, although this was accounted for hy a big drop in optimism in Italy, where consumer confidence has been undermined by inflation fears. In Germany, however, consumer confidence has received a substantial boost from hopes of rising incomes. *Robert Chote, Economics Correspondent*

US sympathy for Turkish raid

Mr Strobe Talbott, assistant US secretary of state, yesterday reiterated Washington's understanding of Turkey's three-week incursion inte northern Iraq in pursuit of guerrillas of the Kurdistan Workers' party, the PKK. In a speech in Ankara he said: "The United States understands Turkey's need to deal firmly with the PKK, a vicious terrorist organisation." Washington has been less critical of the operation than most west European governments. However, Mr Talbott warned that "force alone is not the answer [to deal with secessionists]. It can make a bad situation worse. The way to defeat outlaw groups is to deprive them of popular support by addressing legitimate needs and grievances."

■ Mr Mehmet Köstepen, Turkey'a transport minister, resigned yesterday following disagreements with Mrs Tansu Çiller, the prime minister, over plans for privatising the state telephone network. *John Barham, Ankara*

Croatia to demobilise troops

Croatia said yesterday it would demobilise 30,000 troops and send them back to civilian work, despite lingering tensions with rebel Serbs who control a third of the country. Demobilised soldiers will take jobs in areas where a labour shortage threatens industrial production, Mr Gojko Susak, defence minister, was quoted as saying by state radio.

"We shall demobilise these soldiers but it will not diminish our combat readiness," he said. Croatia's standing army numbers 114,000. Mr Susak and a ministry spokesman did not make clear whether the demobilised troops would be regulars or reserves recently called up. *Reuter, Zagreb*

■ The Russian commander of UN peacekeepers in Serb-held eastern Croatia has been removed from duty for alleged black marketeering, UN officials said yesterday. The allegations of corruption were made in a confidential report by a senior UN police team following an investigation last September. Gen Alexander Perelyakin was put on forced sick leave and holiday three weeks ahead of his scheduled replacement by a Belgian officer. *Laura Silber, Belgrade*

Probe into German arrests

Germany's parliamentary commission responsible for overseeing the BND, the country's intelligence services, will hold a special sitting later this month to investigate an alleged undercover operation carried out by the BND last year. The decision follows a report by Der Spiegel magazine which alleged BND officers had traded in plutonium as part of an undercover operation last August in which three smugglers arriving from Moscow were arrested at Munich airport.

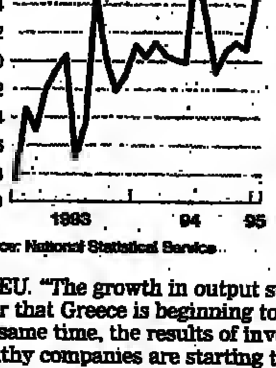
Der Spiegel alleged that the Munich incident had been stage-managed, although it left unclear whether this was to improve the image of the BND or warn of the dangers of illegal plutonium smuggling. The government earlier this week denied that Mr Bernd Schmidbauer, state secretary responsible for the intelligence services, had known about any cover-up or stage-managed activities. *Judy Dempsey, Berlin*

French see extremist threat

Most French people believe Islamic fundamentalism represents a serious threat which must be confronted, according to an opinion poll published yesterday. The survey, in the daily Le Figaro, said 78 per cent of those questioned agreed with the statement. Only 16 per cent felt fundamentalism was not such a threat and that all opinions had to be tolerated. There are about 5m Moslems in France, mostly of North African origin. *Reuter, Paris*

ECONOMIC WATCH

Steady rise in Greek output



Greek industrial output increased hy 4.5 per cent on a yearly basis in January, marking a steady improvement over the past five months, the statistical service said yesterday. The January rise followed a 0.8 per cent increase in December. Higher output of food and beverages, processed timber, textiles and metallurgical products accounted for the increase. The figures also reflect increased exports of textiles and metal products as Greek manufacturers respond to rising demand in the rest of the EU. "The growth in output starts from a low base but it's clear that Greece is beginning to emerge from recession. At the same time, the results of investment in modernisation by healthy companies are starting to show," said Mr Yannis Tegopoulos, an analyst at Midland Pantelakis Securities.

Industrial output increased by 1.2 per cent in 1994 after four successive years of decline, with small manufacturers suffering from sharply rising costs. Overall, Greek industrial production shrank throughout the 1980s as a result of falling investment and the loss of traditional export markets in the Middle East and eastern Europe. *Kerin Hope, Athens*

■ Producer prices in the Netherlands rose 0.2 per cent in February from a month earlier and were up 4.1 per cent year on year, according to preliminary figures. Producer prices of imports were 0.1 per cent higher in February than in January while prices of products produced domestically were up 0.3 per cent on the month.

Buoyant forecast comes as industrial action intensifies

French bank governor sees lasting growth

By Andrew Jack and John Ridding in Paris

The governor of the Bank of France yesterday argued that the country's economic recovery looked firmly established, while reiterating the importance of widespread structural reforms to help generate new jobs.

In his annual letter to the French president and the heads of the Senate and National Assembly introducing the bank's annual report, Mr Jean-Claude Trichet said "the current recovery has all the requisites for sound and lasting growth".

His comments came as industrial action by unions intensified in both the public and private sectors, the latest in a series of strikes pressing for pay increases and opposing job cuts. The action coincides with many companies' announcements of profit growth.

Mr Trichet said in his letter that the first signs of growth highlighted in surveys in late 1993 had been confirmed last year, and that France continued to maintain one of the lowest rates of inflation in the industrialised world – below the 2 per cent set by the Monetary Policy Council, the bank's policy-making body.

He said France's ability to withstand the rise in long-term interest rates showed the "credibility" of its monetary policy. He defended the bank's decision to raise interest rates last month as an effort to "stem the volatility and unpredictability of markets to prevent them from jeopardising economic prosperity".

He stressed the importance of the Policy Council's four objectives for 1995, including generating stable employment through price stability and reforms to education, training, the welfare system and the labour market.

Yesterday, most of the 180,000 employees of the French social security services went on strike to demand a pay rise of FFr1,500 (£195) a month. Unions at RATP, the Paris urban transport authority, are expected to go ahead with a one-day strike to support calls for pay rises and job preservation.

At the start of the week both Air France and several of Paris' most prominent museums were also on strike.

Mr Jacques Chirac, the Gaullist mayor of Paris and frontrunner in the presidential campaign, stoked the debate on French television yesterday by saying there was no contradiction between salary increases and unemployment, while adding that rises should not be indiscriminate.

Mr Edouard Balladur, the prime minister and his Gaullist opponent in the race, has also accepted that there is scope to raise wages, while Mr Lionel Jospin, the Socialist candidate, has urged higher salaries at more profitable companies to aid economic growth.

Separately, the Bank of France's 1994 report showed that it has boosted its supervision of commercial banks, with an increase in the number of inspectors, the introduction of a permanent control office, and an improvement in detection procedures for vulnerability. The accounts for the bank showed it made FFr2bn in profits last year, against FFr3.9bn the year before. It had assets of FFr669bn at the end of last year, down from FFr843bn in 1993.

A French MP yesterday proposed a law to cap the guarantees offered by the state to Crédit Lyonnais, the loss-making publicly controlled bank subject to a government rescue, writes Andrew Jack in Paris.

Mr Philippe Auberger, a Gaullist member of the National Assembly and *rapporteur* of its budget committee, said the state's exposure to any future losses at the bank should be limited to FFr50bn (£6.5bn) and that its involvement should be monitored by parliament.

Under last month's rescue plan, about FFr129bn in assets to be sold by Crédit Lyonnais have been removed from its balance sheet. The sale process will be underwritten by the state, which currently estimates the likely losses at FFr50bn, but which could be higher.

Unilever switch on works council

By Robert Taylor, Employment Editor

Unilever, the UK-Dutch consumer products group, has dropped its resistance to the European Union's directive on consultative works councils.

But UK union leaders fear the company intends to bypass them while establishing an information and consultation committee for its 100,000 workers across Europe in compliance with the law.

Mr Hugh Stirk, the company's national personnel manager, wrote to officials of the main UK unions and Mr John Monks, TUC general-secretary, last week informing them that Unilever was ready to consult all EU employees directly to determine whether they wanted to establish a company-wide employee forum.

However, he made it clear that the company would ascertain employee feelings without going through recognised trade union channels. Unilever has given the unions an important role to play in its UK consultation councils, but it points out that many areas of the company are not unionised and it wants to hear what individual employees desire.

In a statement yesterday the company said the proposed forum would cover its employees in the EU and Switzerland. Although the UK has "opted out" of the EU social chapter, Unilever said its UK workers would be involved. "The company wants the forum to be an effective body reflecting the operational reality of its total European business", it said.

Mr Stirk said yesterday the company had considered all the options at some length and concluded a forum was "the best way forward". "We see this as a natural extension of our existing consultation arrangements", he added.

The 30-strong forum would be made up of employee representatives and delegates from the company's European central management team. The number of delegates from each country would relate directly to the number of Unilever employees there.

The union officials have already been told by Mr Stirk that Unilever's national personnel managers will use established consultative mechanisms to see how much interest there is in their proposals.

Each of the subsidiary companies will send an elected representative to an internal conference Unilever will hold in the summer. This will then elect two delegates to a committee and a further representative will come from management.

All areas will be represented at a further meeting when it will be decided whether to go ahead and form a company-wide forum.

The Unilever move is likely to be followed by many other UK companies. The company employs 23,000 workers in the UK and about 77,000 elsewhere in Europe.

Youth may make and break president

John Ridding on discontent among young people in France

FRENCH ELECTIONS
April 23/May 7

Caribbean rock and dry ice from Mr Edouard Balladur; pop idols and sports heroes from Mr Jacques Chirac. As polling day approaches, France's presidential candidates have been putting on their party hats in an attempt to lure the youth vote.

But for much of France's youth there is little cause for celebration. Unemployment for 18- to 25-year-olds is more than 20 per cent, the highest rate in the Group of Seven industrialised countries. Anxieties about job prospects are matched by concerns ranging from education to Aids.

"There is a profound feeling of malaise," says Ms Carine Seiler, vice-president of UNEF-ID, the largest national students' union. "It is broader than fears about jobs and careers. There is a lack of confidence in our political leaders and a sense of frustration."

How such concerns are expressed will have significant implications both during and beyond the April/May poll. In an increasingly close contest, the 7m potential voters under the age of 25 will have an important influence. After May the mix of malaise and anger described by many youth leaders will present a possibly explosive issue. "Frustration among the young is a serious problem," says one sociology professor. "It must be a priority for the next president."

The message is not lost on the principal candidates, who have stepped up their overtures to youth. At the weekend Mr Balladur, the Gaullist prime minister, hosted a *"Dialoguez avec Edouard"* in a Paris hall where the premier fielded the concerns of his young audience.

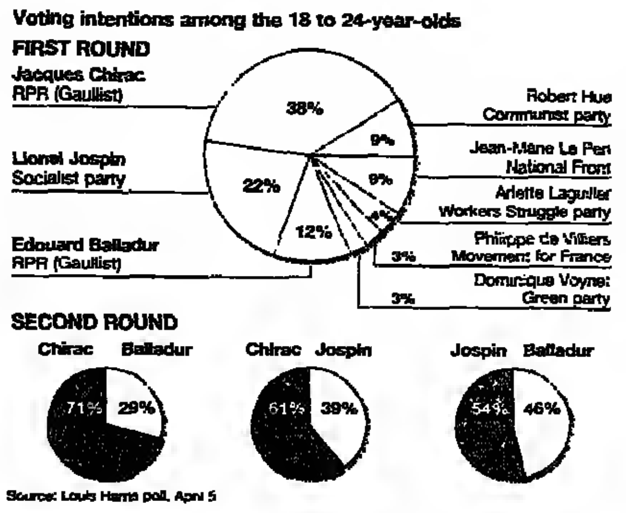
He revealed he had signed a convention with the Patronat employers' federation calling for the creation of at least 50,000 apprenticeships and training contracts this year. His camp points to encouraging signs in the labour market. The number of unemployed males below the age of 25 fell by 2.7 per cent to 323,000 in January, while the number of jobless young females fell by 3.1 per cent to 379,000.

The prime minister, however, is handicapped by his aloof style and attempts at educational and employment reforms. In particular, last year's plan to pay apprentices on so-called CIP contracts less than the minimum wage prompted a national student strike and a humiliating climbdown. His rivals, notably Mr Lionel Jospin, the Socialist candidate, have also attacked the government's record, arguing that many of the new jobs and training schemes are of little value.

Mr Chirac's camp, capitalising on their candidate's dynamic, populist style, claim he will act more aggressively in tackling youth concerns. He pledges stronger government action to create jobs and broader policies to tackle Aids.

France's youth plumps for Chirac

Voting intentions among the 18 to 24-year-olds



Source: Louis Harris poll, April 5

To the extent the candidates' style and policies strike a chord it is Mr Chirac who has made most headway. A Louis Harris poll, compiled last week, gave the mayor of Paris 38 per cent of support among 18- to 24-year-olds, against 22 per cent for Mr Jospin and 12 per cent for Mr Balladur.

Mr Chirac's satisfaction should be curtailed, however, by two considerations. The youngest voters are the most volatile and least decided segment of the electorate. Two-thirds have not yet made up their minds about who they will support, according to a poll last week in the daily Infomatin. More serious is their sense of frustration and mistrust of politicians.

Sociology Professor François Dubet, of Bordeaux University, describes the "striking lack of political engagement" of French youth. "Their political representation is in a state of crisis. Parties and trade unions offer nothing which corresponds to their expectations and their problems."

Most observers see a marked contrast with the heady student movement of the 1960s. "The situation is completely different. That was a movement based on revolution and a desire to change society," says Prof Robert Marconis of Toulouse University. "Now the problem is they want to enter into society but are blocked."

But if the revolutionary days have been left behind, the current dissatisfaction is not without risk. For Prof Dubet, it is important to avoid generalisations. He talks of a youth of "three speeds" – the elite at the top universities, students at the average school and university, and the excluded, those from disadvantaged backgrounds. The latter two groups hold serious concerns for the government and the next president.

On specific issues, the political influence of high school and university students can be significant. "There is much scope for mobilisation," says Prof Dubet, although he believes this applies mainly to defending self-interest.

For the student union's Ms Seiler, there is much to defend. "There are more students, about 2m now, and less money," she claims, pointing to strikes at Rouen and Besançon universities as evidence of the shortage of state funds.

More serious is the threat from disadvantaged youths. "There are many urban areas where tensions are serious," says a social worker from Flins to the west of Paris. Since the early 1980s, when a rash of violent urban protests erupted, central and local government has invested in new housing and in youth activities. But the recession of 1992-93 and the chronic problem of unemployment continue to fuel concern.

For most observers, resignation rather than rebellion is the dominant reaction. But others are more pessimistic.

"There will be a revolt by the young unemployed," says Mr Marc Blondel, leader of the Force Ouvrière trade union. "There will be no state of grace after the election," he adds, in a warning to the next occupant of the Elysée Palace.

Reforms aim to open up economic sectors ranging from law to utilities

Australia agrees competition deal

By Nikki Tait in Sydney

Australia's federal and state governments yesterday reached agreement on a financial compensation package which clears the way for the introduction of national competition policy reforms.

The reforms could see key sectors of the economy, ranging from utilities to the legal profession, opened up to competitive pressures.

Mr Paul Keating, the prime minister, described the deal, struck at a meeting with state premiers in Canberra, as "quite an historic day. All the states, territories and commonwealth together will see . . . a more efficient economy," he claimed.

Mr Keating warned that implementing the reforms would require a good deal of effort, but said the agreement meant work could start.

Both federal and state/territory governments have already pledged to support the competition policy principle, which, it has been estimated, could boost Australia's gross domestic product by A$22bn (£10.4bn) by 2001.

In theory, the business sector should be a big winner as infrastructure, service and transport costs reduce.

The states had been arguing that much of the deregulation would fall into areas under their authority, requiring them to open up government-run businesses and utilities, for example. This, in turn, would undermine their revenue base, for example by diminishing dividends received from state-controlled power utilities.

Conversely, the federal government's tax take should significantly increase, with some estimates putting the benefit to federal coffers at about A$5bn over the next 10 years. The states had been asking for half this money to be transferred back to their budgets. Yesterday's compromise agreement settled on 40 per cent, with some inflation-proofing.

The reforms stem from recommendations in the Hilmer report two years ago. It advocated competition among utilities run as state monopolies, and direct private-sector access to government facilities, such as pipelines.

It also said trade practices legislation should be extended to cover lawyers and doctors, meaning easier access to the professions. Hilmer suggested reforms in the agricultural sector, for instance, in regard to centralised, state-based marketing boards. It said government-owned enterprises should compete on a similar taxation basis as private enterprises.

Some of these reforms have begun to materialise, for example, in the electricity sector, bnt the compensation agreement should accelerate the pace of change.

One remaining hurdle is union opposition; the Public Sector Union argues that many service costs will rise because of the reforms, as cross-subsidisation is eliminated.

OBITUARY: CHEN YUN

Veteran whose fortunes flowed with Deng's

Chen Yun (left) with Deng Xiaoping at the opening of the 13th party congress in October 1987 Reuter

If Mr Deng Xiaoping were tempted to doubt his own mortality, such thoughts should have been laid to rest with the death this week at 90 of Mr Chen Yun, a former comrade and sometime rival who was one of the more influential figures of China's post-1949 period.

The two veterans bad been among the few survivors of the historic leadership of the revolution. Their fortunes had ebbed and flowed more or less in tandem, yet in recent years their respective visions of a modernising China had diverged.

Mr Chen, in poor health since the mid-1980s, had proved a counterweight to Mr Deng's ambitions for accelerated free market reforms of China's economy, arguing these risked undermining Communist party control and causing chaos.

But contrary to some accounts, Mr Chen was no hardline ideologue opposed to China's reform and opening. Rather, his differences with Mr Deng related to the pace of change. He feared a headlong rush to reform and was an advocate of strong central planning until his death.

"The bird should be allowed to fly, but only in the cage," he wrote in the 1990s concerning economic liberalisation. "If there is no cage, the bird will escape."

Thus was born the Chen Yun "bird cage" theory of economic reform that earned him his reputation as a hardliner and opponent of change. Bnt in fact he played an important role in the early stages of Mr Deng's reforms and was a close political ally until the mid-1980s when their differences over economic policy caused them to drift apart.

It was Mr Chen who had proposed after the 1976 arrest of the "Gang of Four" (Chairman Mao's widow and supporters) that Mr Deng should return to leadership positions in the party from which he had been removed during the Cultural Revolution. Mr Chen then supported the opening to the west, reforms of agriculture including the establishment of free markets, the use of foreign capital, and an overhaul of the pricing system.

In the late 1970s in China these ideas appeared quite radical, but by 1985 Mr Chen's enthusiasm for Mr Deng's reforms had begun to wane; from then on he became a critic of the Dengist experiment. His reputation as a gainsayer derived in part from a speech be delivered in 1985 to an extraordinary national conference of the Communist party.

Then, he said: "We are communists and our goal is to build socialism . . . the planned economy's primacy and the subordinate role of market regulation are still necessary."

Mr Chen also railed against what be described as "decadent capitalist ideology". This was characterised by "worship of money" which was exerting a "serious corrosive influence on our party's work habits and social mores".

If there was a theme he returned to often in his later years it was the need to combat corruption, which he regarded as a serious and growing threat to the party's credibility, and in this he was correct.

Mr Chen's austere beliefs and work habits had been apparent since his early days as an underground member of the Communist party in Shanghai where he had worked as a printer with little formal education.

A survivor of the Long March, he was appointed a vice-premier in 1949 when the Communists took power. He helped draft China's first post-revolution economic plan, but fell into disfavour after criticising Mao's Great Leap Forward which brought famine to wide areas.

Purged at the onset of the Cultural Revolution in 1966 and stripped of most of his formal posts, Mr Chen returned to the politburo with Mr Deng at the third plenary session of the 11th Central Committee in 1978.

The veteran official served on the ruling standing committee of the politburo, along with Mr Deng, until 1987, when both retired to make way for a younger generation; but Mr Chen's influence lingered through like-minded protegés. In 1988, he was the moving spirit behind a savage austerity campaign aimed at quelling inflation that had peaked at about 30 per cent.

Some have argued that the retrenchment, which slowed the economy to a crawl, contributed to the student and worker unrest of 1989. Mr Chen, who advocated a hard line in dealing with the Tiananmen protesters, is unlikely to have evinced much sympathy for this sort of criticism.

After his retirement from the politburo in 1987, Mr Chen's public appearances became fewer, and when be did surface he was mnch enfeebled. The Chinese public's last view of him was early in 1994 when he was shown on television receiving visitors in Shanghai. Mr Deng also made his last public appearance at that time.

China's leader would have had the satisfaction of knowing that as far as reforms were concerned, his will had prevailed, although Mr Chen's worries about the dangers to party rule of the excesses of the latest period may come to be realised . . . if corruption remains unchecked.

Tony Walker

Singapore to reopen Philippine murder inquiry

By Our Foreign Staff

Diplomatic strains between Singapore and Manila eased last night after Premier Goh Chok Tong of Singapore agreed partially to reopen an investigation into a double murder for which a Philippine maid was hanged in the island state last month.

Manila's President Fidel Ramos, after speaking to Mr Goh about the case of Ms Flor Contemplacion, said the two countries' foreign ministers would make arrangements for a joint post-mortem on one of the victims, Ms Delia Maga, a Philippine woman who had also worked as a maid in Singapore.

She and a three-year-old Singaporean boy were strangled in 1991. Exhumed from her burial place in the Philippines, her body was found to have such extensive bruises from an evident beating that a Philippine presidential commission concluded last week that the culprit was likely to be a man.

Mr Goh also agreed to a request by Mr Ramos for the replacement of Mr Tan Seng Chye as Singapore's ambassador in Manila. The Philippine leader had urged a shake-up at the embassy to encourage "more effective rapport".

The president earlier suspended the unrelated Ms Alicia Ramos as Philippine ambassador to Singapore and fired her predecessor, Mr Francisco Benedicto, alleging "neglect of duty, inefficiency and incompetence" in dealing with the murder trial.

The moves form a significant climbdown by Singapore following a war of words which had escalated in recent days to the point where bilateral ties were in jeopardy.

Late on Tuesday, the Singapore government issued a 14-page press statement which described as "absurd" the findings of the commission set up by Mr Ramos to investigate the case. It categorically rejected the conclusion that Ms Contemplacion had been a victim of injustice.

Mr Ramos, under pressure ahead of congressional elections next month, had threatened to cut ties with Singapore if it was proved Ms Contemplacion had been wrongly convicted. Any severing of relations would be unprecedented in the Association of South-East Asian Nations to which both countries belong.

ASIA-PACIFIC NEWS DIGEST

Warrant issued for 'biscuit king'

Singapore issued an arrest warrant yesterday for Mr Rajan Pillai, head of Asia's largest biscuit empire, who absconded to Bombay after being convicted of criminal breach of trust and cheating. He was found guilty on Monday of siphoning S$13.8m (£6.1m) from Britannia Industries, of which he was managing director, to pay off debts and deceiving the company into paying S$10.2m for a trademark bought for only S$1.

Mr Pillai, 47, a former London-based executive of RJR Nabisco, established Britannia in the island state in the late 1980s and expanded through buying regional subsidiaries of the US group as it was broken up by Kohlberg Kravis Roberts, its new owner. He entered joint ventures with BSN of France and Coca-Cola, facilitating the soft drink giant's return to his native India. Britannia's annual sales grew to some S$700m.

Singapore is expected to seek the extradition of Mr Pillai, who left the island on a second or false passport and jumped S$3m bail. His lawyer said he did not know the whereabouts in India of the man dubbed the "biscuit king". *Our Foreign Staff*

Japan agency warns on yen

The Japanese government's official economic forecaster warned yesterday that the yen's sharp rise and the fall in share prices may have "adverse effects" on the economy. The warning, in the Economic Planning Agency's monthly report, is the first time the EPA has admitted that the turmoil in the world's currency markets may jeopardise the recovery.

Despite this, the agency believes that the economy is still in gradual recovery. Industrial investment, while sluggish, has generally stopped falling, except among some manufacturers. The broad economic impact of the January earthquake was small and restricted to the region around Kobe, it said.

The EPA's moderate confidence is not shared by 200 of Japan's largest companies, surveyed by the Nihon Keizai Shimbun economic daily. They expect pre-tax profits to rise by just 5.1 per cent in the current fiscal year to next March, assuming that the dollar stabilises at Y85, according to the survey, published yesterday. *William Dawkins, Tokyo*

ADB reins in new loans

New loan and equity commitments by the Asian Development Bank fell 29 per cent to $3.7bn (£2.3bn) last year, following increased focus on the quality of individual projects and a reassessment of the capacity of some members to absorb new loans. But loan disbursements, which include payments under previous loan agreements, rose 25 per cent to a record $3.7bn, the bank said in its annual report. This reflected better project implementation in India, Bangladesh, Pakistan and Indonesia, and a substantial increase in disbursements to China.

Unlike the World Bank, which is now receiving net payments from its members as loans are repaid, net resource transfers by the ADB to its developing members are increasing. Net transfers, which are new loan and equity disbursements less principal and interest payments and other charges, rose to $1.1bn from $931m. The increase came despite a $347m pre-payment by Indonesia which meant that country experienced a negative net transfer of $413m for the first time. *Peter Montagnon, Asia Editor*

Chinese reactor to stay closed

The first reactor at China's biggest nuclear power station will remain shut down until Framatome, its French manufacturer, deals with a problem over its control rods, the plant's Hong Kong shareholder said yesterday. Mr Ross Sayers, chairman of Hong Kong Nuclear Investment Co, a unit of the China Light and Power utility, said the Unit One reactor at Daya Bay, about 50km north-east of Hong Kong, was still under warranty from Framatome.

"The reactor was supplied by Framatome and they are responsible for solving the problem of their equipment," he told Hong Kong legislators. Unit one was shut down for refuelling and tests last December, but it remains off-line after it was discovered that the "drop time" for some of its 53 control rods was longer than normal. *AFP, Hong Kong*

Thai 'link' to illegal logging

Thai companies are working actively with Khmer Rouge guerrillas in Cambodia in illegal logging and exporting activities, according to a report published by Global Witness, a London-based environmental group.

The report, based on a five-week undercover investigation earlier this year, also reinforces the widely held view that timber has been crossing from Cambodia into Thailand, in spite of Thai government claims that the border has been closed to the forest products trade.

"We have clear evidence of continued Thai commercial support for the Khmer Rouge", said a member of the Global Witness investigation team.

The illegal logging, a mainstay of the Khmer Rouge's finances since the end of Chinese support in 1991, has resulted in widescale environmental damage in Khmer Rouge-controlled areas, according to Global Witness. Forest cover has been cut to about 35 per cent of Cambodia's land area this year from about 74 per cent in the early 1970s. *Haig Simonian, Environment Correspondent*

NZ insider trading claim

An insider trading action is to be brought against Fay Richwhite, the New Zealand merchant bank, its Capital Markets subsidiary, and three former Bank of New Zealand directors. Fay Richwhite said yesterday that Mr Donald Kincaid, a former BNZ shareholder, had been given leave to proceed with his claim of insider trading in a decision released by High Court Justice Trevor Henry.

The action arises from the sale in late July 1990 of 10m BNZ shares to the National Provident Fund for NZ$9m (£3.7m) The shares were held by Capital Markets Equities and owned beneficially by Fay Richwhite, then called Capital Markets. Just over three months later BNZ disclosed it had more than NZ$2bn in non-performing loans and required a massive capital injection.

Fay Richwhite said the judge indicated Mr Kincaid had an "arguable" case. "However the judge has also commented that the case cannot be classed as 'strong' and that its prospects of success are 'little more than marginal'," the company said. *AFP, Wellington*

Harbinger party dreams up wheeze to weaken yen

By William Dawkins in Tokyo

Drastic problems sometimes demand drastic solutions.

That was the mood yesterday in Japan's New Harbinger party led by Mr Masayoshi Takemura, the country's finance minister, struggling for ways to curb the sharp rise in the yen, which is threatening to choke Japan's fragile economic recovery.

Mr Takemura's followers in the NHP, smallest member of the three-party ruling coalition, have been casting around for ideas for inclusion in a government economic package, to be unveiled on Friday.

The package will aim to help stabilise the currency markets.

The NHP backroom boys' latest yen-weakening wheeze, according to party gossip, is crude yet startling. The idea is to encourage foreign investors to sell yen by driving up the cost of holding the Japanese currency.

The measures being talked about at NHP headquarters, it is said, include suspending non-residents' exemptions on withholding tax for Japanese treasury bills, ceasing to pay interest on foreigners' yen deposits, and banning tax exemption for yen bonds issued by private institutions overseas.

Officially, NHP headquarters says it is simply studying the yen problem and has not put forward any ideas to its coalition partners. The finance ministry says it has not been informed of the NHP's latest thoughts, though officials there are said to be tickled by the idea.

It all sounds like one of those trial kites that typically get flown in the early stages of an idea in Japanese politics. It may take off, if enough influential people support the proposal, which in this case seems unlikely, given the foreign uproar it would create and the damage it would inflict on the government bond market.

If it does prove to be a no-hoper, it will be discreetly folded away, without ever having been officially launched.

The main problem with the plan is a practical one. Among the biggest purchasers of the yen in recent weeks have been risk-averse Japanese institutions rather than foreigners.

Asian central banks have been big buyers of the Japanese currency. So taxing foreign investors would fail to hit the real target and at the same time offend important neighbours.

Yet it all goes to show the strong current of feeling in Japanese political circles, that the source of the exchange rate turmoil is foreign, rather than domestic.

Perhaps it is not such a bad idea after all, since rumours of the NHP's radical solution were cited by foreign exchange dealers as having contributed to a slight rise in the dollar in Tokyo yesterday.

Tokyo governor urged to back credit union rescue

By Gerard Baker in Tokyo

The Japanese government yesterday called on the newly-elected governor of Tokyo, Mr Yukio Aoshima, to reverse his campaign pledge and back a rescue package for two collapsed financial institutions.

Mr Masayoshi Takemura, finance minister, claimed Mr Aoshima could not just walk away from the proposed bail-out for Tokyo Kyowa and Anzen credit unions. Later, a senior official of the Bank of Japan turned up the heat on the new governor, warning of the dangers for the financial system if he abandoned the rescue plan.

The two credit unions collapsed in December with bad loans of more than Y120bn (£888m). Their failure led to the launch of a lifeboat by the authorities, piloted by the Bank of Japan and including support from other financial institutions. The Tokyo metropolitan government, which had been legally responsible for supervising the institutions, was asked to contribute Y30bn in low-interest loans to the scheme, but in February the city's assembly rejected the proposal, and voted instead to leave the decision to the incoming governor.

Popular opposition to the bail-out intensified when it emerged that the presidents of the two credit unions were under investigation for alleged fraud and false accounting. Throughout the election campaign, Mr Aoshima said he would drop the plan if elected. Following a stunning victory on Sunday over a candidate backed by the national ruling coalition, he reiterated his opposition to the package.

But yesterday, Mr Takemura said he hoped Mr Aoshima would change his mind and demonstrate his understanding thet, as the institutions' regulator, Tokyo had to accept some financial responsibility.

For the Bank of Japan, Mr Minoru Masubuchi, director of the bank's financial and payments system, said if Mr Aoshima threw out the plan, it would create a "difficult situation" for the fragile financial system. Mr Masubuchi told a committee of the House of Representatives investigating the rescue that the package would need some reviewing if the metropolitan government would not contribute to it.

In the same evidence, Mr Masubuchi went further than the Bank of Japan has gone before in describing the relationship between one of the credit unions and Long Term Credit Bank of Japan, one of Japan's largest banks.

He said LTCB had been "deeply involved" in the business of Tokyo Kyowa. Previously, central hank officials had said only that LTCB bore some responsibility for the failure of the credit union. LTCB has repeatedly denied suggestions that it was in *de facto* control of Tokyo Kyowa.

Menem eyes a second presidential term

Opinion polls indicate Argentine president has every chance of electoral success, writes **David Pilling**

General Juan Domingo Perón is the only Argentine president this century to have been re-elected to successive terms. Next month, Mr Carlos Menem, the man who has spent the past six years dismantling much of Perón's legacy, will seek to emulate him by pursuing a second presidential term.

Opinion polls, although notoriously unreliable in Latin America, indicate Mr Menem has every chance of success in the mid-May elections.

Most show him with more than 40 per cent of electoral support, against some 28 per cent for Mr José Octavio Bordón, candidate for the centre-left Frepaso coalition, and less than 20 for the Radical party's Mr Horacio Massaccesi.

Mr Menem's margin, however, is not nearly as comfortable as he would like. To avoid a politically damaging, even risky, second-round run-off, he must win more than 45 per cent of the vote, or above 40 provided he has e 10-point margin over his nearest rival.

Mr Bordón has in the past weeks become the focus of opposition to Mr Menem as support for the Radicals slips. Some polls put him on nearly 30 per cent, close to the level that could force a second-round contest in June.

Mr Bordón, e senator and former governor of prosperous Mandoza province, has the image of an "hombre serio" – e serious man – with experience of office.

A conservative who stresses family values, Mr Bordón, a Peronist dissident, sits oddly at the head of a newly constructed coalition that gained its following through fiery attacks on corruption and on the government's perceived defence of big business.

Carlos Menem: seeking to emulate Juan Perón

Mr Bordón has borrowed some of the discourse of the left, especially in demands for a more egalitarian free-market model. He has plenty of ammunition in the form of rapidly rising unemployment, talk of recession, a train of government corruption scandals, and the miserable state of many provinces.

But the rather uncharismatic candidate does not stir the passions of Argentine workers, whosa allegiance remains largely to Peronism. Hs seems more comfortable voicing concerns of the Argentine middle class, an important section of which feels its privileges slipping away.

Some political analysts believe that, to stand e real chance, Mr Bordón must define his policies more clearly, especially on the vital subject of the economy.

So far, bowever, be bas proved reluctant to be pinned down, fearing perhaps thet to be too specific risks alienating some sectors of Frepaso's fragile coalition.

Mr Massaccesi has had more difficulty still in defining e credible set of policies, and often seems et odds with his own advisers. His discomfort reflects disarray within the Radical party, Argentina's oldest, whose image as an opposition force has been bettered since the signing in 1993 of a pact with the Peronists.

This handed Mr Menem the opportunity of seeking re-election by amending the constitution, which had banned successive terms.

Mr Massaccesi has paid the price, losing support to his Frepaso rivel. His misery increased in February when the provincial finances of Rio Negro province, of which he is governor, unravelled, and unpaid public employees took to the streets.

Although Mr Massaccesi has sought to blame Rio Negro's difficulties on the credit crunch precipitated by the Mexican financial crisis and unfair treatment from central government, voters have castigated him. Newspapers have asked whether a man apparently incapable of administering a small Patagonian province is fit to run the nation.

Mr Menem has been largely content to watch the opposition tear itself asunder. But, when in campaigning mood, the president is a powerful defender of his six years in office. "I took over an Argentina submerged in chaos and corruption and turned it into a nation that is growing, producing and progressing," he says.

> Economic stability is Mr Menem's election ace. Many Argentines have seen their purchasing power rise and have gained prized access to credit

Argentina has indeed been transformed: the economy has been liberalised, tariffs reduced and corrupt, loss-making state companies privatised. Foreign policy, for years singularly independent, has become more mainstream and US-oriented. Foreign investment is actively encouraged and, until Mexico's December devaluation, was responding to the invitation.

Such policies, says Mr Menem, have brought everage annual growth of nearly 8 per cent since 1991, Latin America's highest, and inflation of below 4 per cent, its lowest. Many Argentines, who recall with horror the hyperinflation that savaged the country in the late-1980s, have seen their purchasing power rise and have gained prized access to credit.

Indeed, economic stability is Mr Menem's election ace. The financial crisis that has shaken Argentina in the aftermath of Mexico's devaluation bas, if anything, strengthened his hand, with the president insisting his administration alone can manage the crisis and evoid devaluation.

Mr Menem has even been eble to push through spending cuts and tax rises only weeks before presidential elections without wreaking havoc on his poll ratings.It seems that many Argentines will tolerate harsh measures – including the threat of recession, higher unemployment and even wage cuts – in return for the preservation of hard-won stability.

Mr Massaccesi is fed up with the adulation of government economic policy. "Stability is like water," he says. "You need it to live, but with water alone you can't survive. Menem and Cavallo are pure water."

Mr Bordón may well think the same. But both he and Mr Massaccesi will have to tread very carefully. Criticise economic policy too much and they may appear to endanger stability. Criticise it too little and voters may wonder why they should swep allegiance. "Why would you vote for e carbon copy," scoffed one Peronist, "when you can have the real thing?"

US producer price index flat in March

By Michael Prowse in Washington

Official figures shnwing producer prices were flat last month were seen yesterday as further evidence that the US economy may be heading for a soft landing.

The Labour Department said the producer price index for finished goods was unchanged last month and up 1.6 per cent in the year to March. Most Wall Street economists had expected an increase of about 0.2 per cent.

The figures raise the likelihood the Federal Reserve will keep monetary policy on hold for several months, regardless of the dollar's weakness in currency markets.

The price data is consistent with sales and employment figures indicating economic growtb slowed in the first quarter in lagged response to interest rate rises last year. The consensus view is the economy may now be growing at an annualised rate of abont 2.5 per cent, if not less, half that at the end of last year.

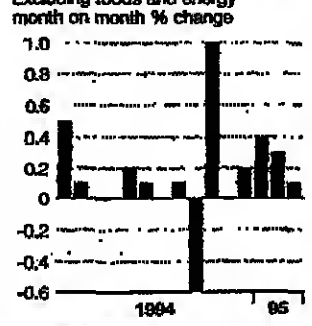
The flet producer price index was reassuring following monthly gains of 0.3 per cent in January and February. Excluding the volatile food and energy components, "core" prodncer prices rose 0.1 per cent last month, the lowest increase since last October.

Many economists believe greater upward pressure on prodncer prices remains likely, despite the economic slowdown, as companies pass on cost increases on goods at earlier stages of prodnction. So far, however, there is little evidence of this. Price pressures heve been offset by restrained wage inflation. Companies are also afraid they will lose market share if they pass on cost increases.

Yesterday's figures also showed inflationary pressures eased last month, if only temporarily, for crude and intermediate as well as finished goods. The intermediate index rose 0.3 per cent, but the crude index fell 1.5 per cent.

US core producer prices

Excluding foods and energy month on month % change



Source: Datastream

AMERICAN NEWS DIGEST

US gun maker faces law suits

Relatives of seven people killed in a gunman's rampage can sue the manufacturer of the assault weapons he used for damages, a San Francisco judge said in a precedent-setting ruling. San Francisco Superior Court Jndge James Warren said on Monday the families could go ahead with wrongful death suits against the gun manufacturer, Navegar of Miami.

Mr Dennis Henigan, a lawyer for the Centre to Prevent Handgun Violence, a gun control group allied with the victims' families, said it was e landmark ruling. "It establishes for the first time that if companies in the gun industry put on the market weapons of war that bave no legitimate use, they may be held accountable for the violence that is the inevitable result of that conduct," he said.

An attorney for Nevegar denied the company was responsible and said the company may eppeal against the ruling.

The case stems from e shooting on July 1 1993 et e San Francisco office block when e gunman went on a shooting rampage at e law firm, killing eight people and wounding six before taking his own life. Families of seven of the victims want to sue Navegar, which makes the TEC-DC9 semi-automatic pistols used by the gunman, as well as makers of other equipment used in the incident. Lawyers for the victims' families argued that the gun manufecturer should be held liable because its products were "designed for mass killing" and it was "ultra-hazardous" to sell this type of gun to the general public. *Reuter, San Francisco*

$3bn bill spares military cuts

President Bill Clinton has signed a $3bn defence bill saving the military from deep cuts this year, and commended Congress for acting quickly on it, the White House said.

The bill, passed by the House of Representatives and Senate last Thursday, will replenish Pentagon eccounts drained by US military operations in Haiti, Somalia, South Korea, Kuwait, Cuba and over Bosnia.

"I commend the Congress for its action on my request to replenish the Department of Defence for funds used to perform contingency operations in the Persian Gulf, Somalia, Rwande, Haiti and elsewhere," Mr Clinton said on Monday.

Mr Clinton and the Pentagon had warned that unless the money was released, severe training and combat readiness cuts would have to begin right eway because some accounts are dry.

The president said he was pleased that several non-military programmes were continued by the bill, including funds for dismantling weapons of mass destruction in the former Soviet Union and helping the Russians remove troops from the Baltic states. *Reuter, Washington*

Poll puts Dole ahead of rivals

Mr Bob Dole, Senete majority leader, who formally announced his candidacy for the presidency on Monday, remains well ahead of his Republican rivals for the party's nomination, according to a poll released yesterday.

The CNN/USA Today poll said the senator from Kansas was the choice of 46 per cent of Republican voters. The poll had a margin of error of plus or minus 6 percentage points.

In second place was Texas Senator Phil Gramm with 13 per cent. Conservative columnist Mr Pat Buchanan had 8 per cent and California Governor Pete Wilson 6 per cent.

Mr Dole's rivals say his consistent poll lead reflects his superior name recognition and predict he will slip as others become better known. *Reuter, Washington*

Mrs Mandela sues for wrongful dismissal

By Roger Matthews in Johannesburg

Mrs Winnie Mandela, sacked last month from South Africa's government of national unity, has started legal proceedings against her estranged husband, President Nelson Mandela, in an effort to have her dismissal declared "unlawful and unconstitutional".

Her court action is being supported by Chief Mangosuthu Buthelezi, minister of home affairs and leader of the mainly Zulu Inkatha Freedom Party. He has submitted an affidavit backing Mrs Mandela's assertion that President Mandela had failed in his constitutional duty to consult the leaders of the coalition parties before sacking her.

In her application to the Pretoria supreme court, Mrs Mandela demands reinstatement as deputy minister of arts, culture and science, and an order requiring President Mandela to explain the reasons for her dismissal on March 27.

Mr Mandela has refused to offer any explanation. Announcing Mrs Mandela's removal from office, Mr Mandela said: "I appointed the cabinet and it is my right and prerogative to reshuffle the government if I consider it necessary for the effective functioning of the government, and I have exercised that right. When pressed for more details, Mr Mandela added: "You must accept my assurance that I have exercised my right very carefully."

Mrs Mandela is also seeking a ruling that her husband should disclose all the information which he used in reaching the decision to dismiss her.

Chief Buthelezi's involvement may reflect his difficult relations with President Mandela, particularly over the drafting of the final constitution. Mr Buthelezi has accused the majority African National Congress of reneging on an agreement signed shortly before last year's general election to provide international mediation on the IFP's demands for regional autonomy.

Last weekend Mr Buthelezi said his party would take no further part in the Constitutional Assembly, which is drawing up the final constitution, until the mediation agreement was honoured. His support of Mrs Mandela's supreme court application is probably best seen as an opportunity to put additional pressure on the ANC.

While there is undoubted support for Mrs Mandela at the ANC grassroots, all the party's main organisations and senior officials supported President Mandela's decision to dismiss her. They cited her decision to ignore specific requests from Mr Mandela, and her repeated criticism of ANC policies as more than sufficient reasons.

Mrs Mandela has also been accused during the past six months of using her official position for financial gain, although none of the allegations have been proved. Police recently staged a high-profile raid on her Soweto house, but were later forced to return documents when a jodge ruled there was insufficient evidence to support the granting of a search warrant.

In her latest legal action, Mrs Mandela also asserts that the letter dismissing her bore none of the official hallmarks associated with a presidential decision. Allegedly, the letter had no address, no official seal, no telephone or fax number, and nothing to indicate that it came from the head of state.

President Mandela is on a tour of Gulf countries and will not formally receive his wife's summons until his return to South Africa tomorrow.

One of 7,000 Hutus at Rwanda's overcrowded Gitarama jail. The UN yesterday moved 120 prisoners

RWANDA MAY CUT OFF AID TO 1M REFUGEES

Rwanda's government, angered by attacks from militias operating out of camps in Zaire, is debating whether to sever aid to 1m Hutu refugees in the area, by stopping World Food Programme trucks crossing its border. The UN agency said 29 trucks taking rations to camps in Bukavu were blocked at the border, and 24 were held up in Kigali, while security checks on convoys had all but stopped aid further north into Goma.

WFP, which must bring supplies across Rwandan territory from Kampala, warns of impending malnutrition. It has already cut rations in the Goma camps from 1,900 calories a day to 986.

Rwanda's action comes amid signs tolerance of the refugee presence in the region is running out. Tanzania, hosting 750,000 refugees, has closed its border to 55,000 Hutu refugees fleeing violence in Burundi. The UN High Commissioner for Refugees is now trucking thousands back to their camps.

Aid officials are increasingly voicing douhts sbout the morality of sustaining camps where former soldiara are training for another invasion of Rwanda. *Michela Wrong, Nairobi*

Palestinians step up drive against militants

By Eric Silver in Jerusalem

Palestinian security forces yesterday intensified their crackdown on the Hamas and Islamic Jihad militant groups, who carried out two suicide bombings in the Gaza Strip on Sunday, leaving eight people dead and 50 wounded.

As Mr Yassir Arafat, the Palestine Liberation Organisation leader, pledged in Cairo yesterday that he was determined to disarm Moslem militants, the number of Islamists arrested by Palestinian police since Sunday's bombings rose to 200.

A military court yesterday sentenced an Islamic Jihad leader, Mr Omar Shallah, 29, to life imprisonment for inciting his followers to carry out suicide missions and other crimes, both inside the Palestinian autonomous territory and in Israel.

The same court sentenced another Jihad activist to 15 years on Monday for training boys as young as 10 for guerrilla operations. These were the court's first rulings since Mr Arafat set it np in early February.

Scattered exchanges of fire hsve also heen reported between police and fugitive gunmen, but no casualties were declared.

Mr Moussa Arafat, head of PLO intalligence, claimed shots were fired twice over the weekend at his Gaza City home. One of his bodyguards was hit in the leg. Mr Arafat, a cousin of the PLO chairman, has been leading the hunt for Islamic activists.

Mr Freih Abn Medein, Palestinian justice minister, has given Palestinians in the Gaza and Jericho enclaves until May 11 to register their guns. "We are going to start, maybe next week, to disarm people and collect all the rifles," he said in Gaza, "and maybe we are going to let them keep only pistols or personal weapons."

Mr Yossi Beilin, Israeli deputy foreign minister, said in Jerusalem yesterday: "I cannot say that the Palestinian Authority is doing enough, but I can say that there are some signs which are positive"

It is, however, doing enough to incense the militants. Mr Imad Falouji, a spokesman for Hamas, the larger of the two Islamic groups waging war on the peace agreement, yesterday denounced the arrests.

"Tha situation is getting very bad," he said. "If it is not solved quickly in a correct manner, there could be an explosion."

Hamas's military wing, Izz al-Deen al-Qassam, warned Mr Yitzhak Rabin, the Israeli prime minister, not to rejoice at the arrests, which he had urged on the PLO.

It advised Mr Rabin to "prepare as many coffins as possible" for his soldiers and settlers, whom it would hit inside Israel.

Complacency the winner in Zimbabwe poll

By Tony Hawkins in Harare

President Robert Mugabe's ruling Zanu-PF party was relishing its fourth successive electoral victory in Zimbabwe's parliamentary elections yesterday. In 1990, and again this week, the electorate has handed Mr Mugabe the *de facto* one-party state that he vowed to create in the 1980s.

In a 54 per cent voter turnout – far higher than expected – Zanu-PF won more than 82 per cent of the vote and 118 of the 120 elected seats, 55 of which were uncontested.

The ethnically based opposition Zanu (Ndonga) party, which drew nearly half its 6.5 per cent of the total vote from a handful of constituencies in the Eastern Districts, will be the sole opposition in parliament, with two seats. Another 20 seats are nominated by the president and ten by traditional leaders, giving Zanu-PF 148 of the 150 seats – one more than in 1990 when it won 147 seats. The other main opposition party, the Forum, did not come even close to winning a seat.

Some will argue that President Mugabe's absolute power will strengthen his government's hand in pushing through unpalatable and unpopular economic reforms, including substantial cuts in public spending, especially defence, increased reliance on user-charges for social services, civil service retrenchment and privatisation.

In a meeting with the Donor Consultative Group last month in Paris, the government pledged to cut public spending and reduce the budget deficit, which, in the first half of fiscal 1994/1995 stood at Z\$2.9bn (£212m), double the targeted 5.5 per cent of gross domestic product for the 12 months to June 30.

However, there was nothing in the campaign or the ruling party's manifesto to suggest that it is ready to adopt the radical new policies necessary to solve the fiscal crisis caused by government overspending and overborrowing. This suggests that the stimulus for change will have to come from outside and that reform will continue to be driven by the donor community, the IMF and the World Bank.

Moreover, many in business worry that the absence of parliamentary opposition, the reluctance of business leaders to take on the government in pnblic, and state control of most of the media, will further entrench the complacency so apparent both during the campaign and in the election results. The results are unlikely to have any impact on foreign investment, though Mr Mugabe's campaign threat to tighten the government's grip on the economy, preventing companies from retrenching workers or closing down, will not help investor sentiment.

In his final campaign speech the president singled out the Lonrho subsidiary, David Whitehead textiles, warning that if Lonrho no longer wished to operate it, the government would take over.

INTERNATIONAL NEWS DIGEST

US candidate wins Unicef post

The US yesterday retained the top executive post in Unicef, the United Nations' children's fund, turning back a vigorous challenge from western Europe, which contributes two-thirds of the agency's budget. Ms Carol Bellamy, currently head of the Peace Corps and a former managing director of Bear Stearns, the brokerage house, was named executive director. The Clinton administration was anxious to maintain the tradition of US leadership that has prevailed since the agency's inception.

Though the US is Unicef's single largest contributor, providing about 20 per cent of Unicef funding, it is far behind Europe in terms of per capita contribution. *Michael Littlejohns, UN Correspondent, New York*

Iraq accuses UN arms monitor

Iraq yesterday accused Mr Rolf Ekeus, head of the UN special commission charged with disarming Iraq, of working for the US after he reported that Baghdad had not fully disclosed its biological weapons potential. The report, presented to the Security Council late on Monday, said there was a high risk that undisclosed materials purchased by Baghdad were intended to make biological weapons.

Mr Nouri Najim al-Marsoumi, Iraqi undersecretary of the culture and information ministry, urged the council to shake off alleged US pressure and react positively to Baghdad's "compliance" with the 1991 Gulf War ceasefire terms. The report blunted an initiative by France and Russia to lift a UN ban on Iraqi oil sales. *Agencies, Baghdad and New York*

■ Turkey's Prime Minister Tansu Çiller is today expected to sign an agreement with the government of Azerbaijan which will transfer to TPAO, the Turkish state-owned oil company, a 5 per cent Azerbaijani stake in a major international consortium developing oil fields in the Caspian Sea. Turkey originally had only a 1.75 per cent share of the consortium, led by the UK's British Petroleum, Amoco of the US and Norway's Statoil. *John Barham, Ankara*

US puts brakes on Nafta tariff cuts

By Bernard Simon in Toronto and Nancy Dunne in Washington

The three signatories to tha North American free trade agreement (Nafta), Canada, the US and Mexico, have quietly shelved plans for a round of accelerated customs tariff reductions.

The proposal for faster cuts than those envisaged in Nafta was raised when the US, Canada and Mexico implemented the pact at the beginning of 1994. Bnt negotiations have been overshadowed by Mexico's economic crisis, and by talks on Chile's accession to Nafta.

A Canadian official said that the US appeared to have lost interest in the exercise and that no further talks were scheduled.

Under Nafta, tha three countries are due to dismantle their tariff barriers gradually over 10 to 15 years. Bnt a variety of importers and exporters in all three countries have expressed interest in a more rapid process.

The US list submitted to Mexico included flat glass, household appliances and wine, among other items. Applications from all three countries covered about 100 products.

The proposal for accelerated Nafta tariff reductions follows three similar exercises which were successfully implemented within the framework of the 1989 US-Canada free trada agreement.

Tariffs on hundreds of items valued at about $6.5bn were eliminated between 1990 and 1993. They inclnded telecommunications equipment, photographic film, golf bags and electric blankets. An important criterion in the negotiations was that the cuts had to be acceptable to importers and exporters on both sides of the border.

According to a US official however, Mexico agreed only reluctantly to participate in the Nafta exercise.

GE fails to reopen turbines bids

By Judy Dempsey in Berlin

General Electric of the US has failed to obtain an injunction that would have reopened bidding for a turbines contract at an east German electricity plant.

GE maintains that a decision by Veag, east Germany's largest electricity company, to exclude it from the final round of bidding last autumn had been discriminatory. But Berlin's Court of Appeals has ruled that GE could not seek a new procurament policy because Veag had already awarded the contract to ABB, the Swiss-Swedish consortium, and building had started.

GE cannot appeal again through the same court.

GE which was clearly upset by the decision, said Veag and ABB had signed the contract for two steam turbines worth about $250m for facilities in Lippendorf only after it had initiated its first suit in a Berlin lower court.

GE tried to appeal against its exclusion but German courts have twice thrown out its petitions before tha latest case. Three administrative reviews also failed to allow the company to get back into the bidding.

After the latest hearing, GE said the decision was "one more example in a long sequence of how the German procurement system discriminates against US and European bidders". It said tha bidders had been denied remedies for procurement violations.

Veag, which was recently privatised by the former Treuhand agency, said that its decision to award the contract to ABB was based on objective criteria and that GE did not match the technical standards required or come up with a competitive price.

Last week US officials said that they considered resolution of the dispute between GE and Veag to be "a test" of Bonn's commitment to enforce a 1993 pact between the US and the European Union for procurement of heavy electrical equipment.

Mr Mickey Kantor, US trade representative, and Mr Ron Brown, commerce secretary, have both expressed concern about GE's exclusion. In a letter to Mr Guñter Rexrodt, German economics minister, they said the interests of the entire US heavy electrical equipment industry were at stake. GE's experience discouraged US suppliers from "even submitting bids in German and European markets".

Aftershocks ripple through steel market

Demand for steel for rebuilding Japan's earthquake damaged Kobe region will have a worldwide impact

By Michiyo Nakamoto in Tokyo and Andrew Baxter in London

Steel users in fast growing Asian markets are facing shortages and price rises as Japanese producers redirect output to the domestic market as a result of January's earthquake in Kobe.

The need to rebuild the Hanshin region in western Japan, which was severely damaged by the earthquake, is creating extra demand on Japanese steel producers' own doorstep.

"For the industry, the ability to direct product to the domestic market makes this a blessing amid a tragedy," says Mr Stephen Wolfe, industry analyst at UBS Securities in Tokyo.

In the past few years, weak demand at home has forced Japanese steelmakers to turn to exports, even though margins ara lower than in the domestic market. In 1993, Japan exported 19.2m tonnes of steel to China and other Asian countries, accounting for about 10 per cent of steel consumption there.

As the rebuilding of the Hanshin area pushes up demand for Japanese steel products, some of that steel, especially beams, girders and reinforcing bars (rebar) used in construction, will stay at home.

"There are so few heavy structural steel makers in the world that this will create e hole somewhere," says one big European producer. "That should mean that prices will firm in structural steels."

Nippon Steel, the world's largest steel company, agrees that Japanese axports are likely to fall "and that could affect world markets." Construction materials in particular might face a shortage which could affect prices temporarily, it adds.

Estimates vary on how much extra steel Japan needs. Sumitomo Metal Industries, one of Japan's largest steel producers, believes the earthquake could create extra demand for crude steel of about 3m tonnes.

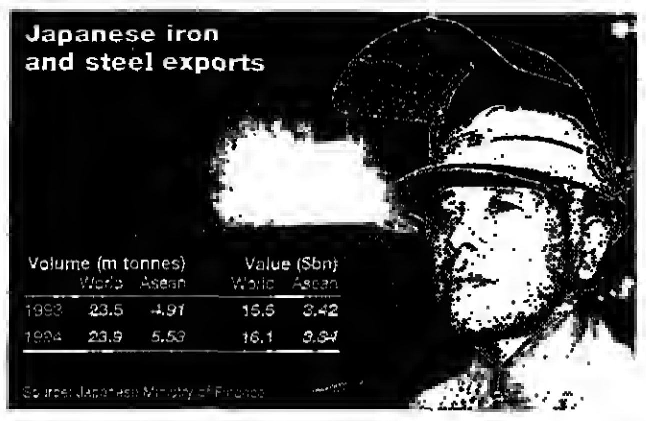
Based on current information, an extra 1.8m tonnes would be needed to rebuild houses and buildings, another 1.1m tonnes to repair the infrastructure and 150,000 tonnes for increased manufacturing, it estimates.

But other observers believe tha extra demand for steel could be much higher, as mnch as 7.5m tonnes a year for the next two years, becausa of refurbishment and rebuilding to prevent catastrophe outside the Hanshin area.

Meanwhile Mr John Prescott, managing director of BHP, the Australian stael producer, points out that a post-recession rise in Japanese steel demand was already under way. The effects of earthquake would accelerate the rise in demand. In Japan, increased output, distribution difficulties arising from the devastation of the Hanshin region, coupled with some amount of speculation, has already pushed up the price of scrap, which is used as a raw material in some steel production.

Scrap prices have gone up substantially, by about Y3,000 ($35.70) a tonne since the earthquake, according to Daido Steel, the world's largest maker of speciality steel. Last month Tokyo Steel said it was raising its prices on construction steel products by up to 8 per cent, due mainly to the rise in scrap prices.

But Mr Hiroshi Saito, chairman of the Japan Iron and Steel Federation and of Nippon Steel, has said the industry will not take advantage of the situation to raise prices. Beyond Japan, price rises will be temporary and may be modest – one US analyst predicts the earthquake-related rise will be about 1-2 per cent.



Japanese iron and steel exports

	Volume (m tonnes) World	Volume (m tonnes) Asean	Value ($bn) World	Value ($bn) Asean
1993	23.5	4.91	15.6	3.42
1994	23.9	5.53	16.1	3.84

Source: Japanese Ministry of Finance

Mr Wolfe at UBS says the extra demand expected from the region is a small proportion of overall worldwide demand of 800m tonnes. "There will be some impact on world prices, but nothing dramatic," he believes.

But the need for Japanese producers to redirect product to Japan has already triggered speculation of some temporary shortages in overseas markets.

The unexpected rise in Japanese demand would have the greatest and most immediate impact on users in south-east Asian countries who buy on the spot market, rather than through long-term contracts, says Mr Ed Brogan, industry analyst at Jardine Fleming in Tokyo.

"Some users in south-east Asia are going to have to pay more, there's no question about that," he says.

Demand for steel in south-east Asia has been buoyant in recent years on the back of strong economic growth in the region. A report by Meps (Europe), the Sheffield-based steel consultancy, predicts Asian countries will be consuming nearly 47 per cent of the world's steel by the end of the decade, compared with 34 per cent in 1990.

One way shortages could be avoided in sonth-east Asia following reduced Japanese exports would be for rival producers to boost their sales in the region. But the other main suppliers to the region, the Korean and Brazilian steelmakers, are also facing a tightening of capacity in their home markets.

This creates opportunities for other suppliers. British Steel, which exported more than 750,000 tonnes of steel to the Asia-Pacific region last year, believes it could help fill the gap.

Mr Peter Fish, managing director of Meps, says east European prodncers may also be attracted to the Asian market if the main western European suppliers are too busy meeting rising demand in their home markets.

Nippon Steel points out that it will take considerable time for earthquake-related steel orders to come through. "Plans have to be drawn up for the reconstruction and these will depend in turn on new building regulations being drawn up for greater protection against earthquakes," it says.

But whatever the consequences of the earthquake and their timing, it has highlighted the increasingly global nature of the steel industry. "It is no longer possible to be isolated in one's own domestic market from events worldwide," says Mr Fish.

WORLD TRADE NEWS DIGEST

Suzuki targets Hungarian plant

Suzuki is considering boosting its investment in Hungary by Ft2bn-Ft3bn ($17m-$25m), Magyar Suzuki, its local subsidiary said yesterday. The Japanese car maker, under pressure from the high yen, is exploring ways to increase the local content of cars produced in Hungary, including further investment at its plant at Esztergom in northern Hungary and in the local car components industry.

Magyar Suzuki, which is 55 per cent owned by Suzuki, has invested around $280m in Hungary since 1992. This year it intends to begin production of a three-door version of the Suzuki Swift, a small family car, and to assemble four wbeel drive cars for Subaru, a division of Fuji Heavy Industry.

Magyar Suzuki aims to export 20,000-25,000 cars, around half its production, to the European Union this year. Last year, it became the first Japanese company to export to the EU from a manufacturing base in eastern Europe. Under Hungary's association agreement with the EU, cars produced in the country with 60 per cent EU and local cootent, can enter member countries duty-free. *Virginia Marsh in Budapest*

India to end quotas by 1997

India's consumer goods sector will be fully opened to foreign investment by 1997, Mr Tejinder Khanna, India's commerce secretary, said yesterday. Quantitative restrictions on consumer goods would be replaced by tariffs in the next two years, he added. His remarks, made at a meeting with a Philippines business delegation, have allayed fears among foreign consumer goods companies that the government would give more protection to domestic industry. Mr Khanna said more goods had been added to the government's Open General Licence list, whicb allows unrestricted imports, and an equal nnmber of goods have been placed under the Special Import licence category. *Shiraz Sidhva, New Delhi*

■ The Taiwanese cabinet's Development Fund has decided to invest T$320m (US$12.4m)to take a 20 per cent stake in an engine company to produce locally designed engines in a bid to upgrade the car industry and reduce reliance on Japan. The company, capitalised at T$1.6bn, will be a 35-65 per cent joint venture between the government and four private companies and will be established this month. *Reuter, Taipei*

■ A consortium consisting of Malaysia's YTL, Singapore's Kelang Container Terminal and Timsco of Indonesia has signed a memorandum of understanding to build a $1bn container terminal on Tanjung Sau, Batam, Indonesia. The consortium is expected to start the terminal project by the end of this year. *Reuter, Jakarta*

■ Burma has bought $40m of railway and other transport equipment, including locomotives, rolling stock and spare parts, from China. Burma's ministry of rail transportation signed an agreement in Rangoon on Monday to buy the equipment from the China National Complete Plant Import and Export Group (Yunnan). Burma will buy $5m of trucks and buses and $35m of railway equipment. *Reuter, Rangoon*

■ The Burmese city of Bagan has signed a memorandum of understanding with Mandarin Oriental Hotel Group for a $23m hotel. The hotel, set amid landscaped gardens, will have 100 suites and will open in mid-1997. *AFP, Hong Kong*

■ Abitibi-Price of Canada is to install thermo-mechanical pulping facilities at its Iroquois Falls, Ontario and Alma, Quebec mills. The pulp and paper producer said this would improve efficiency. *Reuter, Toronto*

Guatemala import tariff set at 10%

By Edward Orlebar in Guatemala City

The Guatemalan government has introduced a uniform flat rate for import tariffs at 10 per cent in an effort to raise revenues and reduce corruption, according to an announcement by Guatemalan President Ramiro de Leon.

The decision, announced on Monday, has already been widely criticised as counter-productive and a change of direction in trade policy.

Sources close to the economy ministry said that tha minister, Mr Eduardo Gonzalez, and two vice-ministers submitted their resignations to protest against Mr de Leon's action, which reverses the ministry's stated intention to reduce tariffs on imported raw materials and primary products.

The new measures, which coma into effect this week, mean tariffs on raw materials and capital goods will double and tariffs on consumer products previously subject to 20 per cent charges will he reduced.

Tariffs on cars and luxury goods will stay at the present top rate of 20 per cent, Mr de Leon said.

Mr de Leon said the uniform rate would raise this year's projected revenue from imports from 2.8bn quetzals ($490m) to 3.3bn quetzals ($575m), and reduce the "discretionality" of customs officials, which he said was a "root of corruption".

But Mr Juan Jose Gutierrez, president of the influential Chamber of Industry, said Guatemala's exports would lose their competitiveness, and local industry will find it more difficult to compete with cheaper imports.

Analysts say potential investors will now be more likely to turn to El Salvador, where the government has said it intends to cut tariffs on raw materials and capital goods to 1 per cent.

Officials say the decision to unify tariffs was part of a *quid pro quo* with the Guatemalan Republican Front, the main party in congress, in exchange for its support for a series of taxation initiatives.

Taking phones to rural India

US West is finding solutions for new markets, writes Shiraz Sidhva

When US West India, a subsidiary of US West International, was awarded a licence earlier this year to construct a $1bn pilot project for India's first privately operated telephone network, some in the telecommunications industry muttered that the government had unduly favoured the US telecoms company.

But Ms Boli Medappa, managing director of US West India, denies the company made a backdoor entry. Before winning permission to operate in India, the company spent four years adapting its technology to the specific needs of Indian snbscribers. "It's not like we came here yesterday," she says.

The pilot licance was announced on January 16, the same day the government began distribution of tender documents for private bidders to enter the Indian telecommunications market. US West India says the coincidence sparked the controversy.

US West will invest $100m in the $1bn project, working with local partners to provide an integrated broadband wire line and fixed wireless network in the southern Indian state of Tamil Nadu. The pilot project covers four secondary switching areas including the cities of Salem, Coimbatore, Erode and Dharmapuri, comprising both industrial and rural areas.

Following the government's announcement of a new telecommunications policy last year, US West had to submit a new letter of intent, two years after its original proposal.

The company's national proposal envisages initial direct foreign investment of $20m, and formation of a company with a capitalisation of $120m. During the first year, the basic plan involves investment of $60m-$80m through vendor contributions and funds from US West and BPL, its Indian joint venture partner.

US West signed joint venture agreements with the Bangalore-based BPL consumer electronics group in 1993. "Partnering is a very important part of doing business internationally. What we look for are complementary skills," says Ms Medappa. She says the "degree of comfort with BPL is high" and BPL will continue to be US West's joint venture partner for other projects.

'The sector was closed to foreign investors when we began exploring the market. We were convinced we could do business before most other telecom companies ventured here'

US West will also bid to offer telephone services within Tamil Nadu and other parts of the country, through an open tender system which closes on April 28.

Its pilot project plans suffered a temporary setback in March when a legal challenge to the validity of the award was filed in the Madras High Court. The petition argues the award was arbitrarily granted and that it denied tha consumer a choice to opt for the best technology.

But US West denies this and is finalising details with the telecommunications department.

Ms Medappa says India was one of four Asian countries, with Japan, Malaysia and Korea, to be targeted by US West in 1990. "The Indian telecommunications sector was still closed to foreign investors when we began exploring the market," she said. "We were convinced we could do business in India before most other telecom companies ventured here."

The company prepared two prototypes in Haryana near Delhi and in Tamil Nadu to convince the government that it had the answers to India's uniqna problem of being a vast, over-populated country with one of the lowest telephone densities in the world. Ms Medappa says more than 40 technical experts have visited India in the past three years before devising the projects.

The regions in the pilot project comprise agricultural land and rural communities, and a small number of industrial centres. The project has a rural component of 31 per cent, higher than the government stipulation to ensure that more villages are connected. "US West's policy of regionalising the business fitted in well with the Indian govarnment's plans," says Ms Medappa.

US West has learned from its US experience how to serve populations spread over large geographical areas.

"When AT&T was divested, we got large geographical areas where states like Wyoming, Nebraska and Idaho had populations of less than 1m," Ms Medappa stated. "US West was forced to work out solutions whare no networks existed." In one case, a satellite system was installed to serve a handful of customers in a far-flung region.

The government has defined the project as a pilot one, because it envisages inflow of new technology, management techniques and foreign equity up to a limit of 49 per cent.

If US West is not selected to operate basic services in the areas it has chosen, its asset and network will be transferred to the private operator which wins the tender or to the Department of Telecommunications. "We have no intention of becoming tha third operator (after the state-owned telecommunications network currently in place and the future private sector operator)," said Mr H. Laird Walker, the company's Washington-based senior vice-president.

The Department of Telecommunications, which currently runs telephone networks across the country, has taken more than two years to grant contracts for radio paging and cellular telephone networks across the country.

The slow pace of reform has actually worked in US West's favour. Technical solutions that ware too expensive in 1990, had become affordable by 1993 as microchip costs plummetted. Setting up in India has been "a positive experience" in spite of the controversy, says Ms Medappa.

Santer's straight talk on Ulster peace funds

By John Murray Brown in Belfast

The Irish government last night announced that seven IRA prisoners would be released starting tomorrow in a further bid to underpin the peace process in the run-up to Easter, a crucial event in the republican calendar. The IRA members, all of whom were due for release with standard remission before the end of 1996, were imprisoned for firearms possession and in one case armed robbery.

The republic is still holding around 30 IRA prisoners, most of whom are expected to be let out by Christmas as part of the on-going review of the prisoner issue by the Fine Gael-led coalition. Dublin's initiative will fuel new demands from republicans for prisoner releases in Northern Ireland, where the UK government remains adamant that convicted terrorists should serve out the sentences handed down by the courts.

Mr Jacques Santer, the European Commission president, said he wanted "straight talk" and that is exactly what he got yesterday after he opened a conference in Belfast to discuss implementation of the European Union's Ecu 300m initiative for Northern Ireland.

Mr Santer's first encounter was with a social worker from the loyalist Shankill Road, who warned: "The middle classes must not be allowed to carve up the peace dividend for their own benefit."

Making his first visit to the UK since becoming president last year, Mr Santer promised delegates from some 350 community organisations to put Ulster's problems at the top of his agenda.

The conference, sponsored by the commission and the European Parliament, was arranged to discuss how to implement the EU aid package agreed in December to underpin the peace process.

With so much aid targeted for Northern Ireland in the wake of tha paramilitaries' ceasefire, groups across the religious divide are lining up to take advantage of the funding windfall.

Yesterday there were demands from Irish language activists and ecumenists, from disabled and children's groups and even a local arts body.

Prof Mary McAleese, pro vice-chancellor of Queen's University ruffled a few unionist feathers when urging the EU to support education which had helped her "to break down the cell door".

Under the package, which is expected to be adopted by the end of April, the EU is targeting small and medium-sized business and community projects, 20 per cent of the total funding going to the six border counties of the Irish Republic.

"We don't want to ask multinationals here with our money," said Ms Monika Wulf-Mathies, the EU commissioner in charge of regional programmes. The commission is flagging the aid package as a "bottom-up" approach to the problems of the province.

Ms Wulf-Mathies said the commission did not want it to be "a European initiativa decided in Brussels." Instead, it should be determined by "the people who hava suffered most and need our solidarity. We want people to have a feeling they are part of the game."

The commission intended to target those most directly affected by the troubles, "those who have been victims of the troubles, those who might have been prisoners, even those who have been taking part in terrorist actions."

In answer to concerns that the EU initiative would duplicate existing aid programmes for the province, Ms Wulf-Mathies stressed that the initiative must make a "separate and distinct contribution."

There was, however, one brief moment of discomfort for Sir Patrick Mayhew, the Northern Ireland Secretary, when Mr Santer called on the British government to match the EU with fresh money for the peace process.

Tunnel highlights infrastructure obstacles

Andrew Taylor on difficulties for new privately-financed projects

The permanent state of financial crisis experienced by the Channel tunnel project emphasises the difficulties faced by bankers, investors and contractors preparing bids for a new generation of privately financed infrastructure projects.

Eurotunnel's continuing struggles to generate sufficient revenue to meet interest payments on its borrowings serve as a warning to investors preparing bids to finance new motorways, prisons and hospitals.

How do you calculate the cost of a project which may take several years to complete, for a customer which may driven by political expedient rather than commercial logic and based on earnings which may be determined by economic circumstances provailing several decades away?

It is not easy to forecast future traffic volumes, interest movements or plan for Home Office decisions which could affect future costs of running privately managed gaols.

Changing economic circumstances may can reduce road useage. Environmental controls might become more strict increasing the cost of motoring. Petrol tax might be doubled. Drivers still have the alternative of using of public sector roads on which no tolls are paid.

What happens if there is a riot at a privately run gaol and it is unable to receive prisoners? Investors would face no income and a large repair bill. These risks have to be costed by potential investors and included in their tender.

Officials, accustomed to letting public sector construction contracts, on margins of one or two per cent, have still to come to terms with the higher returns being demanded in return for operators accepting a higher level of risk.

Civil servants were aghast at the size of preliminary bids for two privately financed prisons at Bridgend, south Wales and Fazakerley, Merseyside. They have since reduced some of the more onerous contract conditions in an effort to cut costs.

Investors originally had been told that fees for prisoners would be on a fixed price during the first five years. Fees over the next 20 years would indexed to allow for inflation but there would be no means of recovery should inflation race ahead in the early years.

The Home Office also would have been allowed to seize the gaol and other assets, before end of the concession, should the department deem that contract terms had been breached.

Sir Alastair Morton has blamed increased costs on stricter than expected safety regulations

It is very difficult to budget for future political decisions. Sir Alastair Morton co-chairman of Eurotunnel has blamed stricter than expected safety conditions, following the Kings Cross rail and Zeebrugge ferry disasters, for a lot of the increased cost of the Channel tunnel.

The construction industry believes new a rail link between the tunnel and central London would have been almost completed by now but for a political decision to disallow the preferred southern approach which passed through a number of marginal Tory constituencies.

The gulf between what contractors and investors think they should be paid for accepting higher investment and operational risks, and what the Treasury considers as acceptable, remains wide.

Risk allocation and how it should be costed remains one of the biggest hurdles for government departments and agencies which retain responsibility to provide and pay for services, such as health, education and prisons, even though they may be owned and managed in the private sector.

Government will even continue to be the pay-master for roads, where it had hoped to pass the purchasing responsibility to motorists.

The Treasury instead has agreed to allow the transport department to pay shadow tolls, based on vehicle useage, avoiding any direct axtra charge to motorists who might otherwise might use alternative public sector "free" roads.

The arrangement has removed a large element of risk to the private sector operators. Even so transport department officials are expected to blanche when they see the size of bids submitted shortly for the first four design build, finance and operate motorways.

VSEL to buy rights to Swans designs

By Chris Tighe

Price Waterhouse, receivers to Swan Hunter, said yesterday they had sold the Tyneside shipbuilder's Intellectual Property Rights to VSEL, the Barrow-in-Furness, Cumbria, based submarine builder.

The price was not disclosed but is believed to be approaching £1m ($1.59m).

Acquisition of the IPR, which incindes estimating data and information on naval vessel construction, underlines VSEL's determination to diversify back into surface warship building after a decade in which its orderbook was dominated by nuclear submarine building.

The sale is tinged with irony; the IPR inclndes designs for fast patrol craft, a market Swans was hoping to enter when, in May 1993, it was tipped into receivership by VSEL beating it in the fight for a Ministry of Defence helicopter carrier order.

The deal underlines how little hope remains of selling Swan Hunter as a shipbuilder. Price Waterhouse said it had delayed sale of the IPR as long as it reasonably could in the hope it might enhance the prospects of selling the Wallsend yard, Swans' main shipyard, as an operational unit.

In the light of last week's announcement that an auction of plant was now being planned, it was not appropriate, said the receivers, to delay the IPR sale further.

Among companies which had, at some stage, expressed interest in the IPR was Vosper Thornycroft, the Southampton based fast patrol boat builder.

Chief executive Mr Martin Jay said yesterday his company did not put a very high value on it; he said he was not perturbed VSEL had acquired it.

Maple leaf welcome for 'fishermen's ally'

By Roland Adburgham

Maple leaf flags decked the Cornish port of Newlyn yesterday to greet the Canadian high commissioner, who came to thank the local fleet for backing his country in its fishing dispute with Spain.

Mr Royce Frith, the commissioner, described his visit as "a wonderful and heartwarming experience." He in turn handed out nearly 200 more flags – signed by Canadian federal MPs – and stressed the value of Newlyn's support.

"What we want is worldwide attention, not confrontation," be said.

"We're all at fault – Canada has overfished. We're not angels – we've contributed to the problem. We must all contribute to the solution. We're making so much progress – we're so close it's really just a matter of quotas. We're just trying to find a way to have the Spanish not block a deal."

Mr Andrew Munson, Newlyn's harbourmaster, agreed the issue was a worldwide problem of fish conservation and not confined to Spain, although the port had had problems due to Spanish fishing practices for 25 years. "At last, someone else has listened to us. We have got an ally."

Newlyn's flagwaving solidarity with Newfoundland began when Mr David Hicks, a local skipper, started to fly the maple leaf emblem on his boat. More flags were then sent by the Toronto Star newspaper and the Cornish Fish Producers' Association, based at the port, invited the commissioner.

Mrs Elizabeth Stevenson, the association's secretary and whose family company has 36 boats at Newlyn, said: "If something is not done we will have a problem similar to Canada, with communities being devastated. We don't support Canada's cutting of nets, but we understand why they've done it."

Newlyn is one of the UK's leading fishing ports, with 150 boats and an annual turnover of over £22m. Mrs Stevenson said: "Newlyn has been a very successful port, but we are seeing changes and financial changes. There is a very fine line between making pay and not making pay."

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 12.04.95: Pool purchase price £/MWh	Final Prices for Trading on 15.03.95: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.87	8.79	8.79
0100	8.86	8.77	8.77
0130	8.90	9.00	9.00
0200	8.90	10.57	11.89
0230	8.90	8.88	8.88
0300	8.90	8.87	8.87
0330	8.90	8.87	8.87
0400	8.88	8.79	8.79
0430	8.87	8.16	8.16
0500	8.86	8.16	8.16
0530	8.86	8.75	8.75
0600	8.16	8.18	8.19
0630	8.90	8.19	8.19
0700	8.92	8.79	8.79
0730	10.38	8.04	8.90
0800	14.41	8.08	9.71
0830	17.50	10.61	12.28
0900	17.55	11.13	12.91
0930	17.60	11.56	13.45
1000	17.63	12.75	14.79
1000	17.62	12.71	14.64
1100	17.58	12.68	14.61
1130	15.45	12.87	14.85
1200	15.45	12.89	15.00
1230	15.43	12.72	14.65
1300	15.41	12.31	14.13
1330	15.07	9.37	9.37
1400	15.05	9.24	9.24
1430	13.99	9.15	9.15
1500	13.99	9.13	9.13
1530	13.99	9.14	9.14
1600	14.00	9.34	9.34
1630	17.47	11.44	13.30
1700	17.53	13.05	15.08
1730	20.58	15.85	18.92
1800	17.51	16.89	19.24
1830	17.45	28.91	32.61
1900	12.14	32.39	36.65
1930	10.00	31.73	35.75
2000	8.96	26.14	29.01
2030	17.45	15.32	17.22
2100	33.47	10.91	12.60
2130	33.47	10.72	12.35
2200	17.46	9.04	9.04
2230	11.82	8.88	8.88
2300	11.82	8.79	8.79
2330	8.94	8.75	8.75
2400	8.92	8.18	8.18

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 6:15pm Monday to Friday.
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NEWS: UK

Senior Tories rally to defence of minister

By James Blitz

Senior figures in the Conservative party yesterday rallied to the defence of Mr Jonathan Aitken, the embattled chief secretary to the Treasury, as he considered whether to take further legal action against the media over allegations concerning his business dealings.

Following a television programme that focused on links between Mr Aitken and members of the Saudi royal family, senior Tories – led by Mr Jeremy Hanley, party chairman – said they had full confidence in the chief secretary's ability to do his job.

In another indication that the cabinet is prepared to give strong backing to Mr Aitken, Mr Hanley gave him "full support" and said he had been right to issue a writ against The Guardian newspaper, which made similar allegations about Saudi links earlier this week.

Mr Hanley told a news conference at Conservative Central Office: "Jonathan Aitken's right was to bring his action, to take out writs. The prime minister has given him support and backing in thet, and that is the situation as it exists."

But the chief secretary yesterday stepped back from his threat to take immediate action against Granada TV's World In Action programme following the screening of a documentary on Monday evening.

A statement issued on his behalf said that ha and his legal advisers would be studying a transcript of the programme in the uext few days. It added that they would examine individual contributions to the programme and "a uumber of recent press articles, particularly those by The Independent".

This last reference is to a recent story highlighting Mr Aitken's former role as a non-executive director of BMARC, a company which allegedly broke government guidelines by sending arms to Iran during the 1980s.

Colleagues of Mr Aitken made clear yesterday that their decision to consider further legal action did not imply that they were "backing off".

However, a source close to the minister categorised the World In Action programme as "poor-quality stuff". He added: "Never have I been so underwhelmed about something so overhyped, but we still have to consider it very carefully."

Yesterday's developmeots came as Mr Stephen Dorrell, the national heritage secretary, tried to calm the growing controversy over the activities of the press, saying that he did not favour the introduction of more extensive privacy legislatioo

As the government comes under increasing pressure from senior Tory backbenchers to introduce laws aimed at protecting the privacy of individuals, Mr Dorrell underlined bis "very clear preference" for press self-regulation using currently structures such the Press Complaints Commission.

UK NEWS DIGEST

Union deal with French water subsidiary

Britain's GMB general union yesterday signed a recognition agreement yesterday with Ecovert, a subsidiary of SAUR, a French utility company which has contracts in the UK water industry and local government services.

The agreement would mean around 900 workers employed by the company in the UK would enjoy full negotiating rights, the union said. Ecovert has contracts with around 20 local authorities and an annual £40m turnover in the UK. "We believe strongly in good and clear relations with our staff", said Mr Dick Barnhoorn, Ecovert's chairman. "This is particularly important when staff change employer from a local authority to our company. We also believe in partnerships with the trade unions and our clients. Today's deal underpins those aims."

The agreement says the company will recognise the European Union transfer of undertakings directive which ensures workers covered by compulsory competitive tendering will not suffer cuts in pay or conditions of employment.

"Any proposed changes in terms and conditions of employment or working arrangements will be the subject of negotiation with the union at the appropriate local level in accordance with agreed local procedures", it said. The Ecovert agreement also says both sides agree "there will be no disruption of work or changes to existing arrangements until the agreed procedures for resolving differences have been exhausted". *Robert Taylor, Employment Editor*

Germans 'still late payers'

European customers of British exporters are continuing to pay their bills more promptly as economic conditions on the Continent improve but Germany remains a late-payment blackspot, NCM Credit Insurance said yesterday.

The Cardiff-based company's quarterly survey found that value of payment delays in the European Union as a whole fell for the sixth successive quarter by 21 per cent in the year to March 31. This compared with a 22 per cent reduction in the 12 months to the end of December.

The biggest improvement came in Italy where there was a 36 per cent fall in the value of payment delays. But the proportion of UK exporters suffering a loss due to companies failing to pay their bills remained unchanged at 25 per cent, the same as in the last survey. British companies were having particular difficulty in Germany, where payment delays rose 7 per cent in the year ending March 31. *PA News*

Debit card use increases

Transactions using debit cards overtook those using credit cards for the first time last year according to statistics published yesterday by the Credit Card Research Group.

The number of debit card purchases at 807m was 3m higher than the number of credit card transactions in 1994, but credit cards still accounted for the majority of spending in terms of volume: it totalled £36bn, against £22bn for debit cards. While card issuers will be encouraged by the levels of growth in both types of card use, a less welcome trend is likely to be the fact that borrowing on credit cards – where card issuers earn interest – is increasing at a lower rate. In 1994, spending on credit cards rose by nine per cent, but borrowing increased by only six per cent, a contrast to 1991. *Alison Smith*

Non-meat eaters at record

Nearly seven million people, 12 per cent of the UK population, no longer eat meat, according to a Gallup survey today.

Although the number of non-meat eaters has risen by 284 per cent over the last decade to record levels, the meat industry is likely to take some comfort in the report's conclusion that health issues rather than animal welfare concerns are driving the trend away from meat. Leading supermarkets have feared that recent outcry over veal crates and live animal exports to the EU could erode supermarket meat sales.

With a record 4.5 per cent of the population vegetarian, the results help explain the recent turmoil in the meat industry, that saw the closure of 1,000 high street butcher shops last year and contributed to forcing Dewhurst, the butcher and main subsidiary of Union International, into receivership last month. *James Harding*

Crackdown on tourist buses

Police in nine counties in the west and south of England are to mount their biggest ever safety clampdown on holiday buses and coaches this summer. Operation Tourist follows a series of checks showing that up to 60 per cent of vehicles had defects.

Police and Department of Transport inspectors will check at random passenger-carrying vehicles using the region's holiday routes. They will be co-ordinated by Avon and Somerset police and also involve the Hampshire, Wiltshire, Thames Valley, Gloucestershire, Dorset and Devon and Cornwall forces. In earlier checks, 60 per cent of 72 buses and coaches examined at Southsea, Hampshire, had defects and half the 236 buses and coaches stopped in Avon, Somerset and Devon were defective. *PA News*

Procter & Gamble lead spenders on advertising

By Diane Summers, Marketing Correspondent

Spending by the top 100 advertisers in the UK increased by over 26 per cent to £2.38bn ($3.78bn) last year, with British Telecommunications moving up to second place behind Procter & Gamble in the league of companies with the largest advertising budgets.

The increase shows a renewed confidence both in the economy and in the power of advertising, said Marketing Week, which commissioned the study by Register Meal, a survey organisation, published in today's issue of the trade journal.

The rise in advertising spending was spread across all marketing sectors, with office automation/telecommunications, financial, household durables, cosmetics and toiletries showing the largest increases, the survey found. Out of the largest sectors, only drink saw a fall in budgets.

Spending on TV, radio, press, cinema and poster advertising was tracked for the survey.

Procter & Gamble, the US consumer goods company, topped the league for the fourth year running with a 24 per cent increase in spending to £118m. Its health and beauty company increased spending by 41 per cent to £55m.

TOP 10 ADVERTISERS

Rank 1994	Rank 1993	Company	Spending 1994 £m	Spending 1993 £m	% change
1	1	Procter & Gamble	118	95	24
2	4	BT	103	61	69
3	2	Unilever (Lever Bros)	72	70	3
4	5	Ford	70	57	23
5	3	Kellogg UK	69	62	11
6	8	Vauxhall Motors	60	51	18
7	9	Procter & Gamble (health and beauty)	55	39	41
8	11	Dixon Stores	49	38	29
9	10	Unilever (Birds Eye Walls)	44	39	13
10	13	Peugeot Talbot	41	37	11

Source: Marketing Week

Unilever's Lever Bros was replaced as the second largest advertising spender by BT, which has upped its budget from £49m in 1992 to £61m in 1993 and £103m last year. Most of the speuding has been directed at getting people to use the phone more frequently and for longer calls.

The financial services sector has steadily increased its spending in recent years, according to the survey: 1992 and 1993 each saw 33 per cent rises, while last year's budgets increased by 36 per ceut.

The leading spender in the sector, at £28m and in 24th positiou overall, was Abbey National, while Halifax Building Society was second in the sector with £26m, up 14 per cent on 1993.

Dixons Stores, at £49m, was the highest-spending retailer for the third year running, with Tesco (£33m) and McDouald's (£31m) coming in second and third.

Overall spending in the retail sector grew by 8 per cent, with only Texas Homecare, the DIY chain, reining back with a 25 per cent reduction in advertising spending, found Register-Meal.

In the travel sector, British Airways topped the league with spending of £15m. P&O European Ferries and Sealink Stena both spent more last year in the run-up to tha opening of Channel Tunnel services. P&O increased spending by 61 per cent to £8m, while Sealink increased 58 per cent to £7m.

Disparity in police efficiency showings

By John Authers

Wide disparities in tbe efficiency of Britisb police forces and their crime-fighting strategies were revealed by the Audit Commission, the UK's local government watchdog, yesterday.

Its report overshadowed figures released by the government which showed that the number of violent crimes rose iu England and Wales last year by 6 per cent, wbile the overall number of crimes fell by 5 per cent to 5.25m.

The commission said the number of crimes detected each year by individual officers varied from 14 in Nottinghamshire to 6.5 in Hertfordshire. Some parts of tbe country have almost twice as many police officers per bead of population as others. While Merseyside has 33 officers per 10,000 population, Cambridgeshire has 18; the average is 22.

Efficiency targets vary widely. Forty of 42 police authorities attempt to answer emergency 999 calls within 20 seconds or less. Only Merseyside and Derbyshire set a target of 30 seconds, and Derbyshire does not monitor whether this is achieved.

Ten authorities failed in 20 per cent of cases or more to reach their target times for arriving at emergency incidents – such as serious traffic accidents, or violent or life-threatening incidents.

Mr Andrew Foster, controller of the commission, said the findings showed solid and efficient performance, but be added: "To see examples of forces where ona in three times they are uot bitting their target time for reacting to an emergency calls for a lot of examinatiou and questioning at a local level."

Total clear-up rates resulting from police investigation (and excluding confessions made by prisoners already convicted) varied from 40.5 per cent to 15.3 per cent.

Mr David Maclean, the home office minister, said the crime figures, when combined with a 1 per cent fall in 1993, represented the largest percentage fall over a two-year period for more than 40 years.

He also pointed out that overall the police cleared up 88 per cent of bomicides and 74 per cent of rapes last year.

Accountants censured in Barlow Clowes inquiry

By Jim Kelly, Accountancy Correspondent

Accountants connected to the collapse of Barlow Clowes, the fund management group, yesterday suffered a series of unprecedented penalties following a six-year professional investigation.

The accountancy profession's watchdog, the Joint Disciplinary Scheme, excluded three chartered accountants from practice and ordered costs totalling nearly £300,000 against a total of ten.

The severest penalty is faced by Mr Julian Pilkington, a former partnar with Spicer & Oppenheim, who was ordered to pay £100,000 costs and excluded from the Institute of Chartered Accountants in England & Wales. Mr Pilkington, who resigned from the firm in 1990, said yesterday: "At no time during these investigations, which have taken an a great toll on my personal and professional life, was I ever accused or found guilty of any dishonesty, lack of integrity or personal wrong-doing."

A statement issued by the JDS said Mr Pilkington's "professional efficiency and competence" was so far below the standard expected of a partner responsible for audit work that it brought the profession "into serious disrepute."

The Barlow Clowes affair involved a number of companies coutrolled by Mr Peter Clowes. In 1988 they collapsed and nearly 20,000 investors were stranded. In 1992 Clowes was jailed for 10 years on charges of theft and fraud. Total losses after the collapse of the fund management business reached £150m.

Spicer & Oppenheim, which merged in 1990 with Toucbe Ross, acted for parts of the Clowes' business in the UK providing a range of services – including audit work. Losses from these parts of the Barlow Clowes group totalled just £3m.

A spokesman for Spicer & Oppenheim said yesterday: "A scheme which permits expulsion, in circumstances where there has never been any suggestion of dishonesty or lack of integrity, is arbitrary and unfair."

The JDS is to publish its final report ou the Barlow Clowes affair later this year.

Pensions compensation tops £16m

By Alison Smith

Britain's financial services industry will have to pay more than £16m ($25.44m) for the year to the end of last month to compensate victims of poor advice, negligence or fraud who were customers of companies in the sector which have gone out of business.

The £16.6m total is lower than the equivalent £17.5m figure for 1993/94. Within that total, however, companies in the retail financial services sector will pay almost exactly the same as in the previous year – £15.8m – and companies in other parts of the sector will have less to pay.

£4.7m of the bill is for compensation payments relating to claims from previous years.

Payments to victims are channelled through the Investors Compensation Scheme, set up in 1988 to provide a safety net for investors who are entitled to redress but find that the company responsibla for their predicament has gone out of business. It bills the financial services regulators, which in turn impose a levy on those they regulate.

Last year was the first in which regulators shared out the bill under arrangements set up by the Securities and Investments Board, the chief City watchdog, to separate the compensation payments for different elements of the financial services sector. The SIB's aim is that organisations in one area of business do not have to bail out companies in other parts of the industry.

Almost 60 per cent of the claims for 1994/95 relate to home income plans, while the next largest category relates to general negligence claims. All but three of the 52 investment companies declared "in default" by the ICS for 1994/95 were financial intermediaries or brokers.

In future, claims for poor personal pensions advice are expected to become more of a feature. Regulators have not yet resolved how compensation payments to victims on behalf of companies which have gone out of business should be shared among the retail financial services sector.

An agreement, which seems bound to mean life companies picking up at least some of the bill for independent financial advisers which cannot meet their liabilities, still appears to be several months away.

OBITUARY

Alan Hare: former FT managing director

Alan Hare, who has died at the age of 76, enjoyed three distinguished careers.

For 20 years he was a soldier-spy of unpublishable distinction. He came to the *Financial Times* where, more publicly, he ran this newspaper in the 1970s and early 1980s as managing director, chief executive and chairman in turn. He then went on to a job which is, in the opinion of some, the world's most desirabla pre-retirement occupation, the chairmanship of the great premier cru wine estate, Château Latour, then owned by Pearson (which also owns the FT), where he stayed from 1983-1990.

When he came to the FT in 1963 (after a brief spell in the group's Industrial and Trade Fairs), it was not denied that he was "family". He was a younger son of the Earl of Listowel; his elder brother, the Tory politician John Hare, was the brother-in-law of Lord Cowdray, the controlling shareholder of Pearson. Lord Cowdray died this year. (To complicate the family tree, Alan Hare's daughter Marcia is married to Pearson's present chairman, Lord Blakenham, who is the nephew of the late Lord Cowdray and the son of John Hare, who became the first Lord Blakenham.)

But Alan Hare was his own man by evidence of his own independent career. After Eton and New College, Oxford (he was born in March 1919), he entered that world of wartime special operations and post-war "diplomacy".

Hare's war in Albania, where one winter he shared a cave with the future President Hoxha while the German troops scoured the mountains for them, was as dangerous as any; he was to lose various toes from frostbite on his eventual retreat, and to be awarded an MC. His *Who's Who* entry records a mere "Foreign Office 1947-1961", which can be a euphemism for a career in British Intelligence.

Alan Hare emerged from the secret world in 1961 at the age of 42. He rose rapidly at the FT, where he was managing director 1971-78, chief executive until 1983, chairman 1978-84, and a director of Pearson Longman 1973-83.

Throughout the 1970s the FT suffered a sustained crisis.

But while the British press – including the FT – stagnated, Alan Hare committed the company to the internationalisation of the paper; its European edition (which has been the basis of the company's subsequent growth) was launched in 1979. His personal commitment to this ambitious and risky project, at a time of widespread disarray in London, was fundamental to its success – which has been largely responsible for the FT's good health over the past difficult decade.

Alan Hare retired in April 1984. His endearing, shy, but always friendly presence at the FT office in Bracken House was missed; the then editor, Sir Geoffrey Owen, in an appreciation that voiced the feelings of all the staff, wrote that his contribution to the paper could "not be measured in purely business terms … it stemmed from his understanding of the newspaper's editorial objectives and his determination to maintain its quality and independence".

He went to Château Latour, which he greatly enjoyed (and where his public speeches in French were even more embarrassing to everyone – most of all to himself – than those in London.)

The affection, and respect, of all of his colleagues were never in doubt. He was a civilised and kind man of quiet charm, fascinated by politics, active as a countryman and also as an opera buff. His professional monument will be the international edition of the *Financial Times*.

He is survived by his wife Jill, his son Mercury, his daughter Marcia and five grandchildren.

RECRUITMENT

JOBS: Research shows that variety is the spice of business success

The grit that cultures pearls

Recruiters have been scratching their heads for years in an effort to define common features among successful business leaders. A new study carried out by Ruth Tait, a London director of Korn/Ferry Carré/Orban International, the executive search firm, suggests that no adequate checklist exists.

Publishing a collection of insights into the career choices and decisions of 18 business leaders, Tait found that their only consensus was on the impossibility of drawing up a set of attributes that define leaders. All agreed, she writes, that business leaders come in all shapes and sizes with different styles, strengths and weaknesses.

Given thet the list of interviews included such luminaries as Martin Taylor (chief executive, Barclays Bank), Archie Norman (chief executive, Asda), Sir John Egan (chief executive, BAA) and Lord Sheppard (chairman, Grand Metropolitan), it might have been expected to have hit on some particular common theme in their backgrounds, that grit in the oyster.

Might it have anything to do with birth order? Not in this sample. Youngest children were the largest single group, with nine in that category, followed by four middle children, two eldest children and two who were only children. Studies of larger samples, however, have suggested that youngeat and eldest children are usually more assertive than those in between.

What about social origins? Not relevant. Those in the sample were equally likely to come from working class as middle class families. Nor did early schooling have anything to do with predicting sncceaa. Oxbridge had some but hardly a convincing amount of influence. Four of the 18 were Oxbridge graduates.

Most of those interviewed could identify so-called formative experiences, circumstances which drove them to excel and take early charge of their lives, although there was no common experience of feeling unloved in childhood – often perceived by psychoanalysts to be a motivator of people who are driven to be succeed. There was, however, some support for the theory thet lack of love in childhood or some other adversity was an important early motivator. Sir John Harvey Jones, former chairman of ICI, and Gerry Robinson, chief executive of Granada, both concurred with this.

A higher proportion of the leaders, however, suggested that positive aspirations of parents or school were prime early motivators in engendering self belief. Another group, including Liam Strong, chief executive of Sears, and Lord Sheppard, identified early poverty influencing their drive to be financially independent.

While Tait acknowledges these varied early motivators, she found that most of those questioned were *fundamentally* motivated by what psychologists call "intrinsic" factors: the challenge or interest of the job itself and doing it well.

This would tend to question the approach of company remmeration committees to top people's pay. If the prime motivation is the job itself and not the money, why do company chiefs pay themselves so highly? Money was not dismissed as unimportant by all, particularly not by some who had little in their youth. But no one, says Tait, was primarily motivated by money. John Egan called it the "lingua franca of business – the better you do, the more money you get".

Perhaps the most revealing finding was the lack of early ambition in all of those questioned to be a chief executive of a large company. Very few, says Tait, had a clear and specific goal for their working lives.

If there was consensus on anything, it was over the importance of luck to success, with some of those interviewed perceiving luck as the product of hard work and not just pure chance. Many were either ambivalent or dismissive of the idea of career planning.

Not one of the business leaders supported the importance of understanding organisational politics or of cultivating an image. Substance and performance was rated most highly.

Not surprisingly, perhaps, it was one of the younger generation, Archie Norman, who made some telling observations about the need for recognition, what he called the comfort factor when business objectives had been achieved. This is also the stage, he says, when chief executives tend to place excessive value on their position and status. "That is when you start to become less effective," he says.

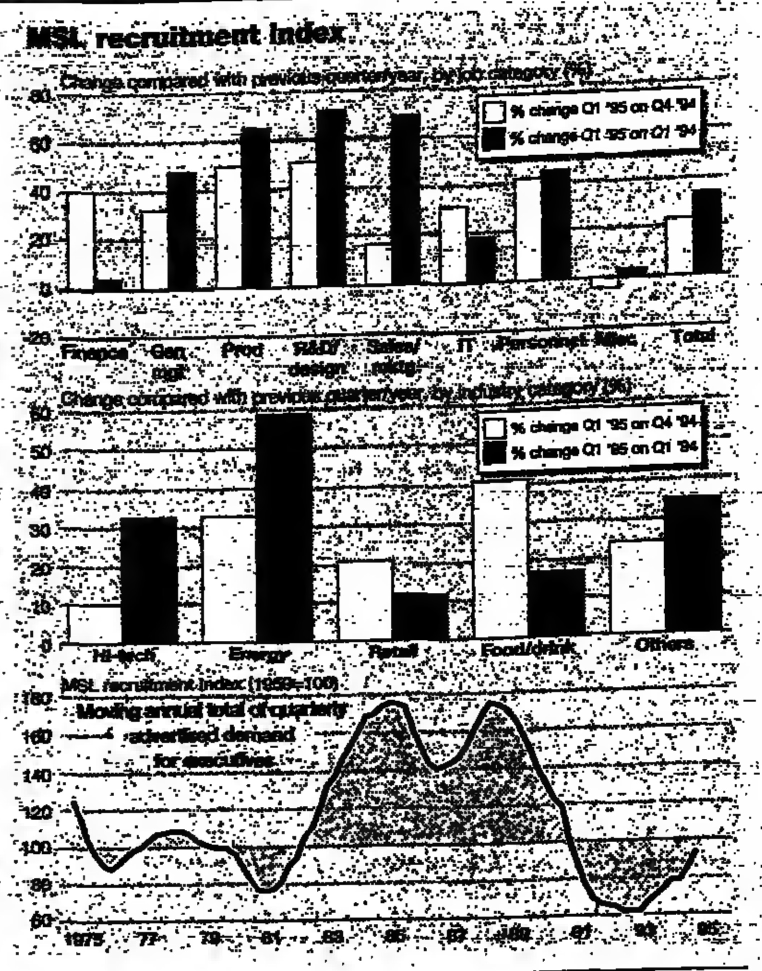
Roads to the Top, Career Decisions and development of 18 Business Leaders by Ruth Tait, published by Macmillan Business, price £20.

● Signs that UK companies are at last casting away the hesitancy that has so far characterised the economic recovery are apparent in the latest survey of advertised demand for executives conducted by MSL International, the recruitment consultant. The MSL Index has moved through its 100 base set in 1959 for the first time since 1990 to stand at 112 – or 93 seasonally adjusted (as on the right-hand chart). This reflects an increase in advertised recruitment of executives of 34 per cent since the first quarter of 1994 and of 23 per cent since the end of last year.

Ian Lloyd, MSL group managing director, says that all job and industry categories are showing significant increases. "For the first time since 1992, when the index fell to all time low, this demonstrates real confidence in the future across all sectors of British industry," he says.

The highest demand has been in research and development, sales and marketing and production.

Richard Donkin

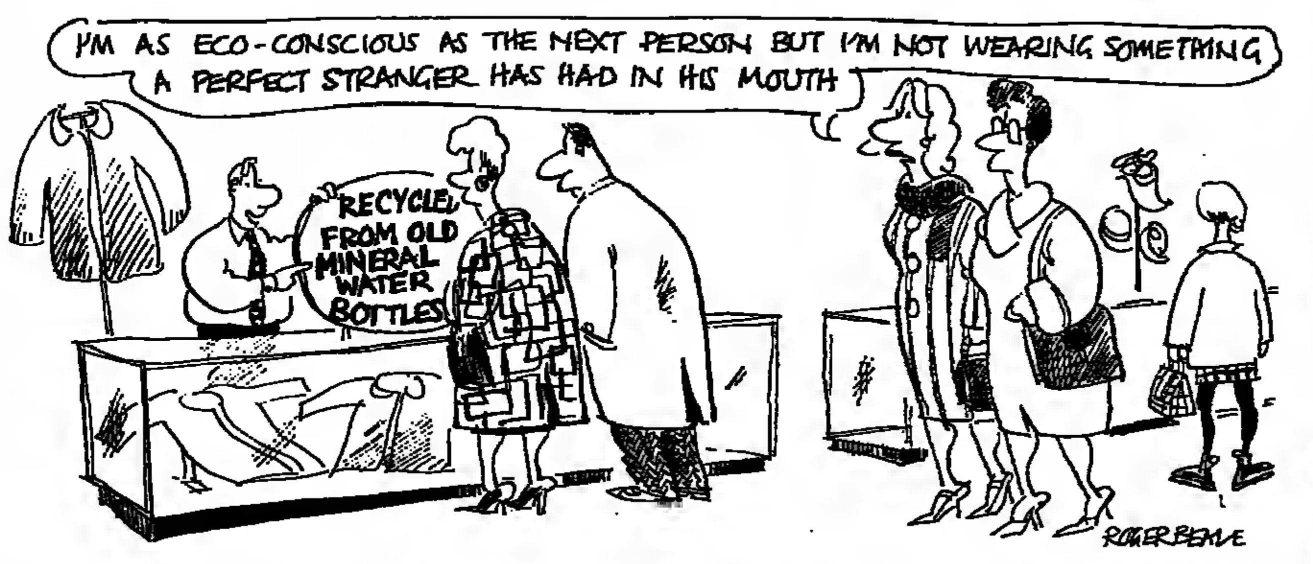


APPOINTMENTS WANTED

BUSINESS AND THE ENVIRONMENT

Clothing made from recycled bottles is set to become a commercial reality, reports **Haig Simonian**

Plastic fashion



Next time you're strolling down Bond Street or Fifth Avenue, check out that smartly dressed person with the heavy pullover and walking jacket. Cashmere? Alpaca? Mohair? Maybe. But recycled plastic?

The craze for à la mode eco-consciousness is still in its infancy. But if recent developments in the chemicals and textiles industries continue at their present pace, it may not be long before a sweater or jacket made from recycled bottles becomes as essential a fashion accessory as the Hermès scarf or the Prada bag.

At a press show in London recently the Brasher Boot company, a small British concern, unveiled Europe's first fleece jacket made from recycled polyethylene terephthalate (PET), the clear plastic used in soft drinks bottles. The zip and thread were not purpose-made, but almost everything else was 100 per cent re-used.

Across the channel in France, Rhovyl, a specialist textiles group, has recently started making yarn comprising 70 per cent polyvinylchloride (PVC) mineral water bottles and 30 per cent wool. The fabric, which is being used by a number of designers, feels as soft, supple and warm as natural wool.

Chris Brasher, the former athlete and current chairman of the London marathon, says recycled materials are forming an increasing part of his company's output.

The group, based in Cumbria, began life as a niche manufacturer of walking shoes when Brasher, who jointly held UK distribution rights for Reebok footwear, struck out on his own after failing to find walking shoes that met his demands.

The company has recently diversified from shoes into clothing. "We turned to recycled fleece on commercial as well as environmental grounds," he explains.

Lightness and comfort have always been crucial for hiking clothes, as they are often carried in backpacks. Warmth and durability are as important. Recycled PET meets all three demands, while being environmentally friendly to boot.

The recent launch of Brasher's Mountainmaster jacket is a breakthrough in Europe, and possibly the world, as previous products have used fleece with a maximum 80 per cent recycled content, he says.

The material comes from Dyersburg, a US knitting company based in Tennessee. It pioneered recycled fibres in the early 1990s with Wellman, the second-biggest US producer of polyester fibres, and Patagonia, an eco-conscious Californian technical clothing maker.

The three wanted to replace virgin polyester – the normal basis for fleece – with recycled material. "The US produces about 1.8bn pounds of PET plastic containers a year," explains Judith Langan, Wellman's director of communications.

"That's equivalent to 180bn soft drink bottles each year." Wellman had been using recycled polyester in its fibres since the mid-1960s. However, the source was "post industrial" (that is, seconds) from big manufacturers such as Celanese and Du Pont.

But as plastic started to displace glass in drinks containers, the group turned its attention to old bottles. In 1992, by which time Americans were consuming 2.5m plastic soft drinks containers an hour, the time seemed ripe for innovation, explains Langan. "America's solid waste crisis was becoming acute while environmental awareness was reaching new peaks."

Hence Wellman's decision to develop a new polyester fibre based on recycled PET. "We figured if we could just market it, we'd be on to a winner."

The resultant fibre, called EcoSpun, was launched in 1993 and contained 80 per cent recycled PET. Dyersburg spun it into yarn and knitted it into fleece, which was then sold to Patagonia to be made into a jacket. The pioneering product was available in only one style and colour at the start.

But the new fibre received an ecstatic welcome from environmentalists. To optimise its commercial prospects, Wellman's market researchers said it had to reduce the denier (thickness) of the fibre and maximise its recycled content, while ensuring that quality would not be compromised by using ever more second-hand bottles. By August 1994, Dyersburg, again working with Wellman, unveiled the world's first yarn based on 100 per cent recycled PET.

Research was proceeding along much the same lines in France. The country's problem with discarded plastic bottles was almost as acute as America's, as around 4bn containers are thrown away each year.

But instead of PET, about 80 per cent of the French bottles were made from PVC, used to hold the myriad mineral waters for which the country is famous.

In September 1993, Rhovyl, a small synthetic fibres company from eastern France, started looking into recycling PVC. "Recycling was already being done in the US, but it was new to Europe," says Alain Regad, Rhovyl's chairman and main shareholder. Moreover, as the French drinks market was dominated by PVC, Rhovyl had to develop a proprietary process rather than licensing the American PET technology.

Both processes need to turn the plastic into a liquid. But whereas PET bottles are first cut up and then melted, prior to filtration to remove impurities and extrusion to form a fibre, PVC has to be dissolved in a solution of acetone and carbon sulphate, as it cannot be melted down.

Removing impurities is essential in both cases. Complex filtration to remove substances such as polyethylene caps and chemical additives to improve shock resistance mean production costs for recycled materials are higher than for virgin plastic, explains Regad.

The market for the recycled textiles is still relatively small. After being spun into yarn at a specialist subsidiary, and sold on the market, Rhovyl's fibre is now starting to reach the shops. The first, and still biggest, client is Charles Dubourg, a French knitwear producer, which unveiled its range last November. Each of its pullovers is made of 27 PVC bottles. More designers are expected to jump on the bandwagon in time for the autumn-winter 1995 season, says Regad.

But it will take some time for Europe to catch up with the US, where Wellman now has more than 100 customers and Dyersburg alone supplies 22 textile and clothing groups. Prices are relatively high, admits Cici Gordon, a public relations official for Dyersburg. "The recycled fleece is about 7-10 per cent more expensive than normal polyester fibre. But the difference is not necessarily passed on to the customer," she adds.

Rhovyl is also aware it must not overtax the market at this stage. Although its recycled fibre is dearer to make than fibre based on non-recycled PVC, "we sell it at the same price", says Regad.

Prices could fall, although that will depend partly on raw material costs and demand. Wellman gets its bottles either from kerbside collection bins or directly from municipal recovery facilities in the US states operating obligatory recycling schemes.

Both Wellman and Rhovyl are confident about the future. "We've shown that this isn't just a trend. It's not going to go away," says Langan. Regad, meanwhile, already has some more ideas up his sleeve. "The thread could be used for a range of products, such as socks, gloves or blankets," he says. "Or it could also be mixed with other yarns, such as mohair or silk, to make wholly new materials."

It is probably too soon for Australia's sheep farmers to start worrying about their livelihoods. But with so many innovations in the pipeline, wool producers may be advised to keep alert before someone dreams up a scheme to recycle their Fosters cans, too.

Mutant peas pack potential

James Harding on new uses for the much maligned vegetable

Peas, usually found in supermarkets' frozen goods sections, will soon be available in a variety of new forms ranging from lipstick to explosives, from pesticides to paper.

At the John Innes Institute, an independent British research centre in Norwich, Cliff Hedley and Trevor Wang are manipulating the genetic composition of pea seed with a view to increasing the use of peas in animal feedstuffs and producing a raw material for industry.

The new strains of pea could be on the market in less than five years, offering European farmers, who produce around 4.5m tonnes of peas each year from about 1m hectares, alternative markets for peas and a profitable use for land set aside under European Union farm rules.

The pea mutants mark a growing trend in agriculture, where increasing consumer and political support for renewable resources is fuelling the development of non-food uses for crops.

The mechanics of the pea modifications are as follows: peas come in two forms, either wrinkled, full of starch and primarily used for animal feedstuffs, or round, lower in starch but higher in protein and sugar, and more suitable for human consumption. Whether peas are round or wrinkled is determined by one gene. By manipulating that gene, Hedley and Wang can alter the levels and constituent parts of the starch, protein and oil in the pea to meet industry needs.

Modification of the gene can, for example, change the pea's starch content to boost amylose, a long, unbranched chain of carbons, with a key role in making biodegradable plastics. Alternatively, other mutants of the seed promise to lift the oil level, thereby offering possibilities for use in pharmaceuticals and cosmetics.

The most promising market, according to Hedley, is for starch. As well as being a large constituent of many foods, industrial uses for starch include paper making, adhesives, plastics and explosives. Although starch is a large component of all cereals and most pulse and tuber crops, difficulties in extraction in most crops make cultivation for starch production uneconomic.

With the mutant pea, Hedley predicts farmers could be harvesting 2.5 tonnes per hectare of high value starch for industry from a crop of about 5 tonnes of peas per hectare.

What is more, starch from modified peas will be more environmentally friendly. "Starch from potatoes or maize often needs to be modified for industry using chemicals that can be damaging to the environment. It is far better to carry out the modifications at source, by altering the natural inputs," he says.

From the farmer's point of view, the emergence of industry-oriented crops broadens their market horizons. "With a number of small volume, high-value crops coming on line in the next five to 10 years, the potential for agriculture is very exciting," says Jonathan Pettit of the UK's National Farmers' Union. "Modified seeds, such as the pea, will create new markets and give farmers alternatives."

The immediate appeal of non-food crops is that they can be cultivated on set-aside land.

Under the EU's Common Agricultural Policy rules designed to control cereal supply, arable farmers are required to leave a proportion of their land fallow. Agricultural produce explicitly for non-food use, however, may be allowed on set-aside ground.

The precedent of oilseed rape is promising for peas. According to the NFU, nearly 100,000ha of set-aside land in the UK, 20 per cent of the set-aside total, is being used to grow oilseed rape for industrial uses such as biodiesel and plastics.

Zeneca, the British multinational and agrochemicals specialist, although not directly involved in the pea research, is working on a number of crops for industrial use, with a keen eye on farmers' frustration at leaving land unworked and the pump-priming effect of the European set-aside subsidies.

"The aim is to give the farmer another choice of crop, particularly with the UK's set-aside land at 15 per cent of arable. The advantage of it is that he can grow these renewable resources on that land," says Nigel Poole of Zeneca's seeds division.

Ultimately, pea farmers hope the mutants will find industrial demand that makes them viable without set-aside subsidies. Hedley confidently forecasts: "New mutants with their potential new applications should lead not just to peas in our time but to peas for all times with the foundation of a new wave of products."

Television/Christopher Dunkley

An infinite licence to broadcast

The sooner broadcasting and broadcasters grow up, win their independence, and join the rest of the communications and entertainment media operating under the normal law of the land, the better. Meanwhile we continue to witness the last gasps of what will surely be seen in the future, and the not very distant future, as the historical anomaly which has marked the first half century of broadcasting.

Until recently broadcasting capacity was very *limited; soon* it will border on the infinite. The *Panorama* fracas is the most recent illustration of the effects of this anomaly, which stems from the terrestrial transmission system that has dominated the early years of the business. Under this system broadcasting networks have been a scarce resource and governments have consequently regulated them, controlling both the operators via licensing systems, and, to varying extents, the programme content.

It is inconceivable that the Scottish courts would have allowed even an interim injunction to prevent a newspaper or magazine from publishing an interview with the prime minister just prior to Scottish local elections. Print journalists fought and won a battle for the freedom of the press in the 18th and 19th centuries, enduring hardships, including prison, which it is impossible to imagine their counterparts in broadcasting risking today. Moreover there are so many print outlets that no single publication would be considered likely to affect the outcome to any significant degree. On the contrary, nobody imagines that the printed media will be even-handed: they are expected to be parti pris and it is assumed that *some sort of fairness* will ensue from the diversity resulting from the market system.

Anybody who watched David Dimbleby's interview with John Major on *Panorama* must, surely, doubt whether this was any more likely than a print interview to *affect the outcome*. It was a pretty unremarkable event, apart from some weird vocabulary and syntax from the prime minister. He claimed to have a more rounded picture of the members of his government who have departed under clouds than "the rather bawdlerised version" thst so often appeared, and reckoned his predecessors did things less "determinably" than he does. He also talked about "security in every aspect of the sense". Regardless of these odd solecisms, a dispassionate onlooker would surely conclnde that this programme was as likely to prompt viewers to vote against the Conservatives as for them.

The pity of it is that, with so *little time to go before the new* technologies begin to provide hundreds of television channels, the BBC has fallen into a trap which it had previously avoided throughout its history. During the General Strike of 1926 the home secretary, Winston Churchill, wanted to take over the *fledgling* BBC and turn *it* into a government radio station. BBC director-general John Reith demurred, and prime minister Stanley Baldwin backed off. Reith wrote revealingly in his diary "They want to be able to say that they did not commandeer us, but they know that they can trust us not to be really impartial".

However, the point is that the government did not step in, any more than it did during the Suez crisis of 1956 when the BBC gave a platform to government dissenters as well as government spokesmen. Indeed, the BBC has managed to preserve its fairness code as an entirely internal matter throughout its 70 year history – until this incident. Now *it faces the prospect not* only of having its conduct measured against its own codes of practice by an external body, but by a body sitting in a regioo where many shoulders are weighed down by anti-metropolitan chips.

Of course whatever happens in this case (and the thin blne line of BBC self-policing may hold) broadcasting diversity is on the way. True, the mere availability of 500 digitally compressed channels, which could be on offer within a couple of years, will not mean that BBC1 and therefors *Panorama* automatically lose their significance. We have had multi-channel satellite television in Britain for years and yet the four terrestrial networks are still taking a 92 per cent share of the audience. On the nther hand *Panorama* which used to get 100 per cent of the audience when BBC1 was the only network now fails to get into the week's Top 50 programmes. So greater diversity does have an effect.

The excellent three part series *Satellite Wars* on Channel 4 has vividly illnstrated the two major factors involved in this global expansion, the same two factors which we see exemplified in more parochial fashion in the case of *Panorama*. First, even when network scarcity is overcome, politicians are still keen to keep control of television. In China they are racing to lay down cable networks, which are relatively easy for the state to control, before satellite dishes, which are getting smaller and smaller, reach a size where control becomes impractical.

In Britain great efforts are still made to prevent people seeing the sort of sexually explicit programmes now available in continental Europe. In Asia Rupert Murdoch has dropped BBC World TV from his Star satellite service because several governments were nervous about their populations seeing BBC news rather than the local variety which is under state control. The French are furious with perfidious Albion for failing in British satellite ventures to sustain Euro rules designed to prevent Frenchmen from watching the American programmes which, much of the time, like the rest of the world, they prefer.

And that is the second factor: the seemingly inexorable way in which television technology, like so mnch information technology, is moving beyond government control. Preventing people seeing sexy programmes, or any other sort, will be very difficult once you can dial up pay-per-view programmes from anywhere in the world vie the telephone. There are certainly dangers. *Live satellite news reports during* the Gulf War conveying the belief that missiles loaded with biological weapons were being launched at Israel could have led to the most awful escalation. The more channels there are, the more Gresham's Law seems to operate with bad programmes driving out good. And no doubt the argument for sustaining a licence fee will look weaker and weaker as the number of channels moves from scores to thousands.

But it has always been development in technology rather than programming that has hronght change to broadcasting. Anyone concerned for programme quality must hope that the BBC will survive the coming revolntion. The BBC is one of the greatest programme makers in the world. It has repeatedly proved itself more sensibly responsible in matters of editorial judgment than most other mass media. It would be a tragedy if editorial self determination were to be removed now, at the dawn of the new age of broadcasting.

Theatre/David Murray

A View from the Bridge

Is it not a bit early to be bringing *A View from the Bridge* back to the West End so soon after Michael Gambon's sterling performance in the same play? Happily the answer turns out to be "no" – because the director here is David Thacker, whose track-record in Arthur Miller positively demanded that he should get a crack at this stark piece; and the hero ("anti-hero" if you like) is superbly played by Bernard Hill, with an uncommonly strong cast supporting him.

A View from the Bridge is Miller's play about the Italian longshoreman in Brooklyn, Eddie Carbone, who agrees to harbour a pair of illicit immigrants from the Old Country – *i.e.* Sicily – but goes disastrously off the rails when the younger brother forms an attachment with Eddie's all-but-daughter Catherine. It was first seen 40 years ago as a long one-acter, half of a double bill with *A Memory of Two Mondays*, but *A Memory* has long been forgotten, and *A View* has broadened to fill a *(shortish) evening. It can bear* that.

Not only does it have a whiff of inexorable Greek tragedy about it, but its central role is a gift to bulky middle-aged performers who do not compete in the romantic stakes, a category which includes some of the best actors around – like Hill. We can forego any invidious comparisons with Gambon's hugely brooding performance; Hill's seethes too, but in a distinct and remarkable vein.

Judged from a cool distance, it is a technically brilliant exercise in mimicry. Hill took the trouble, one hears, to chat up Brooklyners from the right precinct (none of them Italian nowadays, though), and some proper Italian-Americans as well; and he sounds perfect. Few American actors would bother to be so "authentic", since fine details of accents bear no social significance for Americans.

With Hill, however, the mimicry is joined seamlessly to the exposure of his character. His beaky face – where some violent centripetal force seems to have concentrated all the features in the middle, from beetling eyebrows through bushy moustache to sharp, truculent chin – lifts at collision-moments into proud Sicilian attitudes; he retains his forceful dignity against even the hardest blows. His performance is a model of economy: without showy riffs, he shows us a creature of terrible consistency.

From long ago I remember Raf Vallone's Paris incarnation of Eddie with some awe, but that was unbridled Italian-extrovert. Hill's is compressed to the scale of an anxious immigrant who wants to adapt to American *mores*, but finds himself locked in an erotic-paternal obsession which needs older excuses.

At the end the lawyer-narrator (a didactic period-figure, but faultlessly animated by Alan MacNaughtan) tells us that Eddie deserves our respect because he *allowed himself to* be "wholly known". Yet with Eddie that was all unwitting; and though everyone else has understood too well what he was up to, they never quite say it. We watch the situation unfold with relentless logic, in frozen dismay.

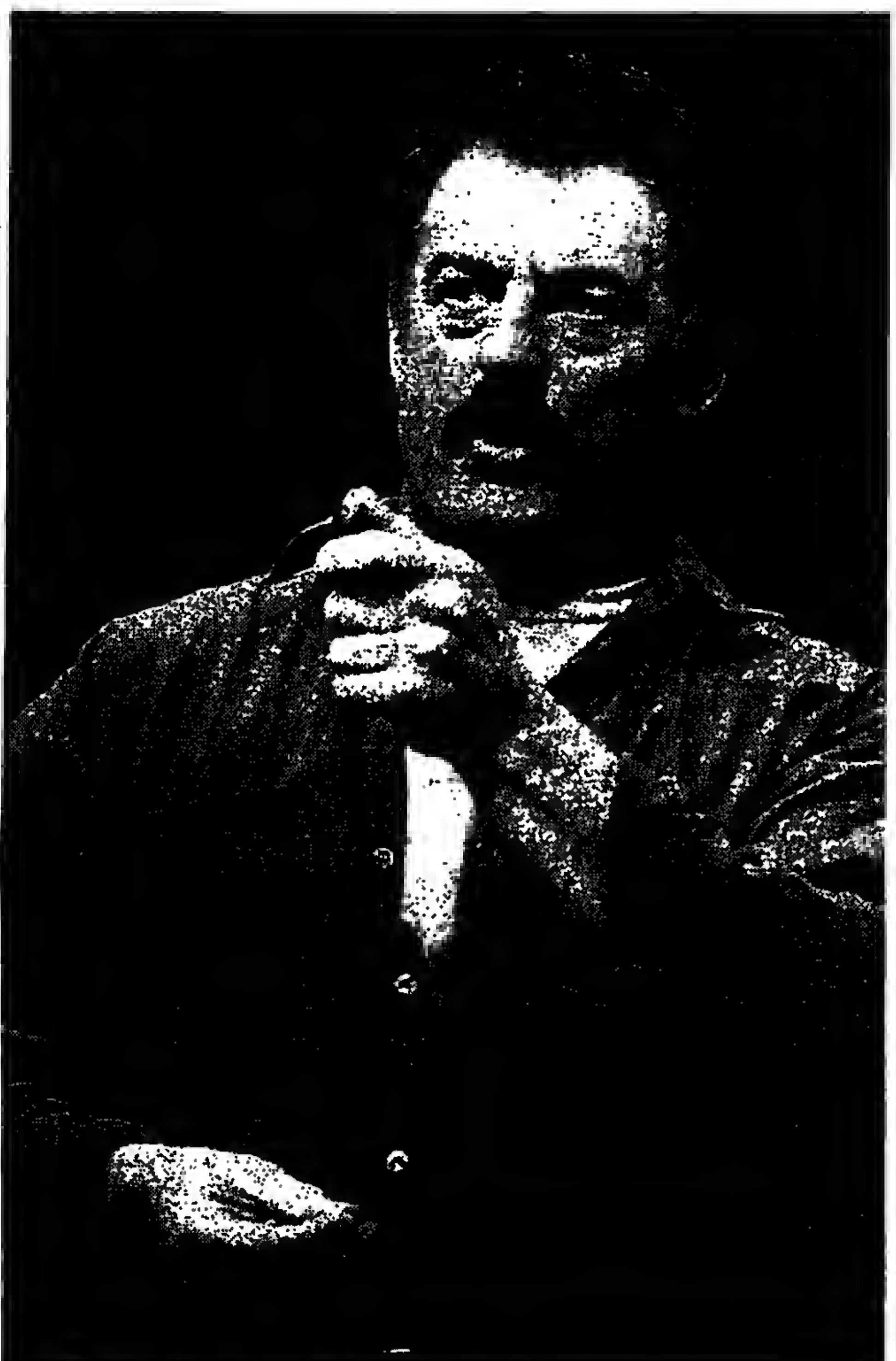
Eddie's long-suffering wife is Charlotte Cornwell, laden with anxious character, though her anxiety peaks too early – she knows too much from the start; instead of letting it dawn upon her little by little. (At the other end, Hill's Eddie is too doggedly angry about his good name; surely he is already wounded and fatally vulnerable, knowing all too well that his good name is lost forever.) The all-but-daughter is Emer *McCourt*, who gets all the feelings right but lets her effortful "American" voice lay waste to her part – determinedly high-pitched, tediously plaintive.

The "submarines", the immigrant brothers Marco and young Rodolfo, are Ivan Kaye, a desperate family-man with e wrenching presence, and Joseph Fiennes as the charming swain, possibly feckless: we are never quite sure whether he is an honest suitor, or perhaps just wants an American passport.

Thacker's production, in Shelagh Keegan's striking, skeletal designs, erases none of the ambiguities but sets the action out with transparent clarity. Adrian Johnston's scene-music is effective (though I think his haunted sax is malapropos – sentimental 1950s New Yorkery, not much to do with any immigrant community in Brooklyn).

There is, nonetheless, the breath of real tragedy in this play and this production.

At the Strand Theatre, W1



Superb: Bernard Hill as Eddie Carbone — Alastair Muir

Music in London

Locke's 'Psyche'

By the end of this year Dido will have been laid in earth and Queen Mary's funeral sentences solemnly pronounced countless times, as Purcell's most famous music gets performed up and down the land. That is the inevitable result of commemorating a tercentenary, although there can be unexpected by-products along the way.

Shining the spotlight so brightly on Purcell occasionally allows his contemporaries some reflected glory. On *Thursday evening, Matthew* Locke (c.1621-1677) enjoyed undivided attention in the South Bank's festival devoted to the "English Genius" (Purcell, that is, not Locke). In his day, he was an influential figure, who supplied music for Charles II's coronation and was appointed court composer at the Restoration.

These days we may know some of his songs or choral music, but even during its relentless advance in recent years, the early music bandwagon has not often passed his way when it is looking to revive large-scale pieces. The history hooks tell us Locke's theatre works are important, because they came shortly before Purcell and are early English operas that showed others the way. His *Psyche* has the most music to it and that was the one Philip Pickett and the New London Consort chose to perform.

In fact, *Psyche* is no nearer to being an opera than Purcell's *King Arthur* or *The Indian Queen*. Like them, it forms an uneasy marriage between a play and a *musical* score, in which nelther has mnch to do with the other (all the important action happens in the play and the main actors never sing). The impression is of a typical Restoration extravaganza, with gods flying about in chariots, scene changes from heaven to hell, temples, cliffs, palaces – so much to look at that it is difficult to believe the audience had much time to *listen* at all.

At the Queen Elizabeth Hall *Psyche* was given a concert performance and so there was ample opportunity to enjoy Locke's inspired part-writing for three or four voices, while wishing that he exhibited even a modicum of Purcell's skill in setting English words. Almost all the solo numbers wandered aimlessly without the music giving the words any sense of direction. The solo singers of the New London Consort generally did what they could, but only the soprano Catherine Bott and bass Roderick Williams roused their music into expressive life.

As directed by Pickett, the "opera" made a *pleasing* enough evening – light, varied, lively, whatever its shortcomings. The audience responded happily to the novelties of the orchestration, such as a duet for two anvils and a flock of chirruping recorders, but might bave heen less impressed if they had read the small print in the programme and found that all the amusing bits were part of Pickett's own "reconstruction". A recording will shortly be forthcoming.

Richard Fairman

Haefliger and the Carmina

Five young musicians – four of them Swiss, the fifth an American based in Switzerland – brought playing of the highest order to the Queen Elizabeth Hall at the start of the week. Having launched the latest season of the South Bank's on-going International Piano Series on Sunday afternoon, Andreas Haefliger returned the following night to join the Carmina Quartet in part of a concert that deserves a special place in the recent annals of chamber music making in London.

It is not hard to see why Haefliger, who made his London debut only two years ago, is included in the roster of distinguished pianists – Berman, Pletnev, Lupu, Lill and Brendel – who will play in the present series. His easy dexterity – he is possessed of a formidable technique which never intrudes – allows him to put musical truth first: his performances of hoth Beethoven's Sonata No. 1 and the second set of Schubert Impromptus revealed uncommon sensitivity to texture and tone colour.

Indeed, in *Pictures of an Exhibition* Haefliger used his staggering power only to extract raw emotion: there was no gratuitous thumping in the way he played *into* Mussorgsky's massive chords. The grinding ox-cart in "Bydlo" and diabolical portrait of the witch Baba-Yaga were highlights of the cycle, which came across more vividly and with greater freedom than in any orchestral version. Fascinatingly, Haefliger's interpretation stressed the modernity of Mussorgsky's 1874 music.

There was a similar, exhilarating vigour about Monday's performance of the Brahms Piano Quartet No. 1 in G minor, in which Haefliger teamed up with three of the Carmina players. But most hreathtaking of all was the unmatchable sound of the Carminas playing alone in the first half of the concert.

In the relatively few years since Max Loppert first "spotted" them on this page, the Carminas have more than fulfilled his confident predictions and emerged as one of the outstanding quartets of today. Each member has a distinct musical personality, yet the collective Carmina sound is based on an uncanny unanimity of tone and attack. They played as one in Beethoven's highly compressed Op. 95 Quartet, bringing out its seriousness in a beautifully sculpted fugue and walking a musical tightrope in the neurotic finale. Their warm, silken sound could not have been heard to better advantage than in their dream-like account of Debussy's Quartet in G minor.

We are currently hlessed with a wealth of excellent string quartets, and the Carminas are to be treasured as highly as any.

John Allison

Next recital in the piano series is by Lazar Berman in the RFH on April 23 at 3.45.

INTERNATIONAL ARTS GUIDE

■ BERLIN

GALLERIES

Deutsches Historische Tel: (030) 215 020

● Art from the GDR 1949-1990: exhibition that looks at politically commissioned art in the old German Democratic Republic; to Apr 18

Neue Nationalgalerie Tel: (030) 266 2653

● George Grosz, Berlin-New York: exhibition of the *German Dadaist* who emigrated to the US; to Apr 17

OPERA/BALLET

Deutsche Oper Tel: (030) 34384-01

● Aida: by Verdi. Conductor Stefan Soltesz, production by Götz Friedrich; 7pm; Apr 14

● L'Italiana in Algeri: by Rossini. Conducted by Ion Marin/Carlo Rizzi, produced by Jérôme Savary; 7.30pm; Apr 12

● Magic Flute: by Mozart. Conducted by Lawrence Foster/ Sebastian Lang-Lessing/Stefan Soltesz *and produced* by Günter Krämer; 7pm; Apr 16

● Martha oder Der Markt zu Richmond: by Friedrich von Flowtow. Premiere conducted by Sebastian Lang-Lessing and produced by Winfried Bauernfeind; 7pm; Apr 17

● Onegin: music by Tchaikovsky. Premiere at this venue, choreographed by John Cranko, produced by Reid Anderson *and* Jane Bourne; 7.30pm; Apr 15, 18

Staatsoper unter den Linden Tel: (030) 200 4762

● Der Rosenkavalier: by Strauss. Nicolas Brieger directs this new production. The sets are designed by Raimund Bauer and Donald Runnicles conducts; 6.30pm; Apr 13

■ LONDON

CONCERTS

Barbican Tel: (0171) 638 8891

● City of London Sinfonia: with soloists Rosa Mannion, Sally Burgess, Matthew Best and the Holst Singers. Harry Christophers conducts Bach's "Magnificat" and Mozart's "Requiem"; 7.30pm; Apr 16

● Royal Philharmonic Orchestra: with soprano Christine Brewer. Jane Glover conducts Schoenberg, Strauss and Mozart; 7.30pm; Apr 13

● Yo-Yo Ma: cellist with the London Symphony Orchestra. Sir Colin Davis conducts Tippett and Elgar while Leon Kirchner conducts the UK premiere of his own "Music for Cello and Orchestra"; 7.30pm; Apr 12

Purcell Room Tel: (0171) 928 8800

● Finnish and Latin American Music: the Jam Quartet, an ensemble of guitars from Finland combine Nordic and Latin rhythms in a programme that includes Piazzolla and Brouwer; 7.30pm; Apr 18

Royal Festival Hall Tel: (0171) 928 8800

● London Choral Society: Jane Glover conducts Handel's "Messiah"; 6pm; Apr 14

● Piano, Orchestra and Band: Martyn Brabbins conducts the Michael Nyman Band, The *Philharmonia Orchestra and pianist* Kathryn Stott plays Nyman's "The Piano Concerto" and the UK's premiere of "MGV-Musique Grande Vitesse"; 7.30pm; Apr 13

● The London Philharmonic: a concert performance of Gilbert and Sullivan's "Iolanthe". With conductor *Roger Norrington and includes* soloists Alison Hagley and Sarah Walker; 7.30pm; Apr 18

GALLERIES

Royal Festival Hall Tel: (0171) 928 8800

● After Auschwitz: exhibition of paintings, sculpture and photography produced by 21 contemporary artists in response to the Holocaust; to Apr 17

Tate Tel: (0171) 887 8000

● British Sporting Art: this special display from the collection focuses on the flourishing of sporting and animal painting in Britain from around 1720 to 1850; to Jul 2

OPERA/BALLET

English National Opera Tel: (0171) 632 8300

● Don Giovanni: a new production of Mozart's opera. House debuts for *director Guy Joosten and conductor* Markus Stenz; 7pm; Apr 13, 15

Royal Opera House Tel: (0171) 304 4000

● The Prince of the Pagodas: by Britten. A Royal Ballet production choreographed by Kenneth MacMillan opens a Benjamin Britten "mini festival"; 7.30pm; Apr 15 (7pm)

THEATRE

Cockpit Tel: (0171) 402 5081

● The Yiddish Trojan Women: by Carole Braverman, directed by Hettie Macdonald. Comedy involving four American Jewish women; 8pm; to Apr 23 (not Sun)

■ NEW YORK

CONCERTS

Avery Fisher Tel: (212) 875 5030

● New York Philharmonic: Kurt Masur conducts Weber, Schumann, Williams and Prokofiev; 8pm; Apr 12, 13, 14 (11am)

Carnegie Hall *Tel: (212) 247 7800*

● Alfred Brendel: an all–Beethoven programme by the pianist; 8pm; Apr 17

● Jessye Norman: soprano in her only New York recital of the season; 8pm; Apr 18

GALLERIES

Museum of Modern Art Tel: (212) 708 9480

● Helen Chadwick: Bad Blooms: the English artist's most recent photographic series comprising 13 large photographs of flowers in a variety of viscous liquids; from Apr 13 to Jul 1

OPERA/BALLET

Metropolitan Tel: (212) 362 6000

● Parsifal: by Wagner. Produced by Otto Schenk, conducted by James Levine; 6.45pm; Apr 14

● Pelléas et Mélisande: by Debussy. A *new* production by Jonathan Miller. Conducted by James Levine; 8pm; Apr 13 (1.30pm)

● The Ghosts of Versailles: by Corigliano. Produced by Colin Graham, conducted by James Levine; 8pm; Apr 12, 15, 18

New York City Opera Tel: (212) 307 4100

● Harvey Milk: music by Stewart Wallace, libretto by Michael Korie. A new production conducted by Christopher Keene and produced by Christopher Alden, a story about gay activism, dirty politics, murder and street riots; 8pm; Apr 13

● La Bohéme: by Puccini. Conducted by Christopher Keene and produced by Cynthia Auerbach; 8pm; Apr 14, 18

● La Traviata: by Verdi. A new production conducted by Yves Abel and directed by Renata Scotto. Soloists include Janice Hall/Oksana Krovytska and Stephen Mark Brown/ Richard Drews; 8pm; Apr 16 (1.30pm)

● Lucia di Lammermoor: by Donizetti. Conducted by Christopher Keene and produced by Tito Capobianco; 8pm; Apr 12, 15 (1.30pm)

● The Merry Widow: music by Lehár, English book adaptation by Robert Johanson. Conducted by Eric Stern, directed by Robert Johanson; 8pm; Apr 15

■ PARIS

CONCERTS

Champs Elysées Tel: (1) 49 52 50 50

● Philharmonic Orchestra of St. Petersburg: with violinist Martha Argerich. Youri Temirkanov conducts Prokofiev; 8.30pm; Apr 12

● Philharmonic Orchestra of St. Petersburg: with mezzo-soprano Eugénia Gorokhoskaya and tha London Symphony Chorus. Youri Temirkanov conducts Prokofiev; 8.30pm; Apr 13

GALLERIES

Galerie Schmit Tel: (1) 42 60 36 36

● From Delacroix to Matisse: exhibition including the works of Picasso and Degas; to Apr 13

OPERA/BALLET

Opéra National de Paris, Bastille Tel: (1) 47 42 57 50

● Iphigénie en Tauride: by Gluck. Conducted by Graeme Jenkins, produced by Achim Freyer; 7.30pm; Apr 18

● Lucia di Lammermoor: by Donizetti. A new production by Andrei Serban. Maurizio Benini and Roberto Abbado (from April) conduct the orchestra and chorus of the Paris National Opera; 7.30pm; Apr 14, 16 (3pm)

THEATRE

Petit Odéon Tel: (1) 44 412 36 36

● Cat and Mouse (Sheep): written and directed by Gregory Motton, a satirical look at present–day England. The first in a season of plays in English; 6.30pm; to Apr 23

■ WASHINGTON

CONCERTS

Kennedy Center Tel: (202) 467 4600

● National Symphony Orchestra: with conductor/violinist Iona Brown plays Strauss, Haydn, Vaughan Williams and Mozart; 8.30pm; Apr 13, 14 (1.30pm), 15, 18 (7pm)

GALLERIES

National Museum of Women in the Arts Tel: (202) 783 5000

● Sogonisba Anguissola (1532-1625): a renaissance woman. Premiere showing in the US of 24 works that includes intimate family portraits exemplifying the times in which she lived; to Jun 25

THEATRE

Roundhouse Theater Tel: (301) 933 1644

● Escape from Happiness: by George F. Walker, directed by Daniel DeRaey; 8pm; to Apr 16 (not Mon)

WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coveraga until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Ian Davidson

Nato looks east

The race for expansion may be unstoppable, but it might not be wise

In pursuance of their "Contract with America", Republicans in the US Congress pushed tbrougb a vote demanding that Nato expand its membership to eastern Europe, and bring in Poland, Hungary, the Czech Republic and Slovakia.

Such a vote is not, of course, binding on the Atlantic alliance; it may not even be binding on the US administration. But it must add to the momentum for Nato expansion which, if it comes to the crunch, may well entangle the alliance in damaging quarrels and recriminations.

This momentum may be unstoppable. Ever since tbe end of the cold war the eastern Europeans have ceaselessly demanded full membership of western institutions, notably in Nato and the European Union. In 1991 Nato gave them a sort of diplomatic membership, called the North Atlantic Co-operation Council; but the eastern Europeans were not satisfied. Just over a year ago, Nato gave them a kind of active associate status, called Partnership for Peace; but the eastern Europeans were not satisfied. Last December, Nato set up a 12-month study group to examine the consequences of expansion; but the eastern Europeans were still not satisfied. The chances are that they will keep up the pressure until they are offered full membership.

It seems likely that full membership will only be a matter of time: the very fact of setting op tbe study programme implies it. But we know in advance that it will cause trouble with the Russians, because they have repeatedly said that they would regard it as a bostile act. When Nato set up the expansion study gronp, the Russians backed off from their Partnership for Peace witb Nato; and last week General Pavel Grachev, tbe defence minister, threatened that Russia would retaliate to Nato expansion by tearing up the 1990 East-West Treaty on Conventional Forces in Europe, which limits arsenals of tanks and other beavy weapons, and which is seen as one of the cornerstones of military stabilisation in Europe.

The fact that the Russians do not like the idea of Nato expansion is not, by itself, a sufficient reason for not going ahead with it. Nato was formed for the defence of the Atlantic allies against tha threat from the Soviet Union; and the end of the cold war does not, or at least should not, giva the Russians a veto over the future of the Western alliance. Russian views and Russian interests daserva to be taken into account, but they should not be decisive.

It is the interests of the alliance, or the interests of Europe at large, which should be decisive. The problem is that Nato seems to have been bounced in the direction of early expansion, without the advocates having put forward a convincing story about what the expansion of Nato is supposed to achieve, or why it would be good for either east or west.

Nato cannot be transmogrified into some kind of all-purpose political club

The candidate countries in eastern Europe evidently believe that Nato membership would improve their security; after 45 years under the brutal domination of tbe Soviet Union, it is natural that they should want guarantees such a thing could never bappen again. But it is not clear that such guarantees are necessary, or would really be available.

First, there is no evidence that the Russians have ambitions to reconquer Poland or Hungary or any of their neighbours by military force.

But if there were a potential Russian military threat, Nato might have great difficulty in providing a plausible guarantee against it. In the cold war, the US had 350,000 troops in Europe; today it has 100,000 and the number is likely to fall. All the allies are cutting forces and defence budgets, and no-one expects Nato to station troops in Poland.

When Nato enlargement comes before the US Senate for ratification, someone is bound to ask whether the US would be committed to use American nnclear weapons for the defence of Warsaw or Budapest. If the answer is yes, the Senate is unlikely to ratify enlargement. If the answer is no, the credibility of America's security guarantee to its existing allies in western Europe would have been wiped away at a stroke.

In the face of these difficulties, some advocates of Nato enlargement claim that the real purpose is not military security but the political stabilisation of eastern Europe. This argument is inherently absurd. Nato is a military alliance for collective defence; and even if today it is embarrassed by the disappearance of the Soviet threat, it remains a military allianca, and it cannot be transmogrified into some kind of all-purpose political clnb. Political stabilisation in eastern Europe cannot be promoted with tanks and mortars.

In any case, those regions of eastern Europe which could be most vulnerable to political instability, such as the Balkans, are also those least likely to qualify for membership of Nato, and least easy to stabilise from outside. Political stabilisation of eastern Europe is a legitimate objective of the west, but it can only be carried out by political means. It may be a task for the European Union, or possibly the Council of Europe; but not for Nato.

Western intentions are of course entirely peaceful. But Nato enlargement must, as a matter of fact, mean a clear shift in the military balance of power between east and west; and the Russians will react to that. Those eastern countries which do not qualify for membership may thereby become more vulnerable to Russian intimidation. The US may hope that Nato enlargement will indirectly extend and expand its own role in Europe. But Nato may yet regret a move whicb may undermine tbe cohesion of the alliance, and could even reduce the security of some countries in eastern Europe.

More carmakers are challenging Renault in Europe's multipurpose vehicle market, says Kevin Done

Espace – the final frontier

For a decade the Renault Espaca bas reigned supreme in the small but growing European market for multipurpose vehicles – the family cars known to Americans as minivans – but it may be about to lose its crown.

Ford of the US and Volkswagen of Germany began volume production of their first European-built multipurpose vehicle (MPV) last month at a new plant in Portugal.

AutoEuropa, their joint venture, is the biggest industrial investment ever in Portugal. It underlines carmakers' enthusiasm for one of the fastest-growing segments of the west European new car market, although tbere ara doubts about whether the current level of demand can be maintained.

The trend towards multipurpose vehicles began in the US with the Chrysler Voyager in the early 1980s, and the market has grown in North America from 300,000 vehicles in 1984 to about 1.5m last year. Minivans now account for 8.5 per cent of the total North American car and light truck market.

Most volume carmakers in Europe, uncertain of the prospects for a vehicle category that barely existed 10 years ago, at first left the market to Renault, which launched the Espace in 1984, and a few Japanese competitors. Tbey changed their minds, however, as sales of multipurpose vehicles climbed in west Europe from less than 50,000 in 1988 – accounting for 0.3 per cent of the new car market – to 170,000 or 1.4 per cent of the market last year. Volkswagen's most optimistic forecast suggests that MPV sales could grow to 550,000 and a share of close to 4 per cent of the market by 2000.

"All manufacturers agree that the longer-term potential for MPV sales in Europe is enormous," says Renault. "Much of this confidence is based on the North American experience ... This boom is likely to continue, with North American MPV sales forecast to rise by another 40 per cent by the end of the decade."

Carmakers agree that it is the vehicles' space and versatility, along with the ability to seat seven passengers, that is attracting car bnyers away from conventional saloon and estate cars.

Manufacturers also believe that the car market is fragmenting. Instead of focusing on conventional, mainstream models, they are looking at the growth of segments wbere buyers seek to express more individuality. This process has been reflected in the rapid growtb of four-wheel drive sport-utility vehicles and in the latest coupés, convertibles and sports cars.

New entrants to the market, however, may not find it as easy as they had boped to make profits from their minivan investmants, particularly since so many of them are piling in at once.

The offering from VW and Ford, the Volkswagen Sharan/Ford Galaxy, goes on sale in the early summer. Several other competitors to the Renault Espace have also just launched or are destined for tbe market in the next 18 months. These include:

- Sister vehicles from Fiat of Italy and PSA Peugeot Citroën of France, in a FFr6.04bn ($1.25bn), 130,000 vehicles-a-year joint venture at Valenciennes, northern France.
- The new generation Chrysler Voyager, the leader in the North American minivan market, which begins production in Europe at the US group's assembly plant at Graz, Austria in October.
- The Honda Sbuttle, an import from Japan, to be launched in Europe this year.
- The Mercedes-Benz Viano, due for launch early next year, to be produced at Mercedes-Benz's plant in Spain.
- And a version of the new range of minivans from General Motors, to be imported from the US next year and sold under its European brand names: Opel and Vauxhall.

VW and Ford decided to co-operate to reduce the risks to each company of such a costly investment. However, the joint venture has highlighted not only the uncertainties of the new market, but also the difficulty of managing sncb large-scale ventures between former competitors.

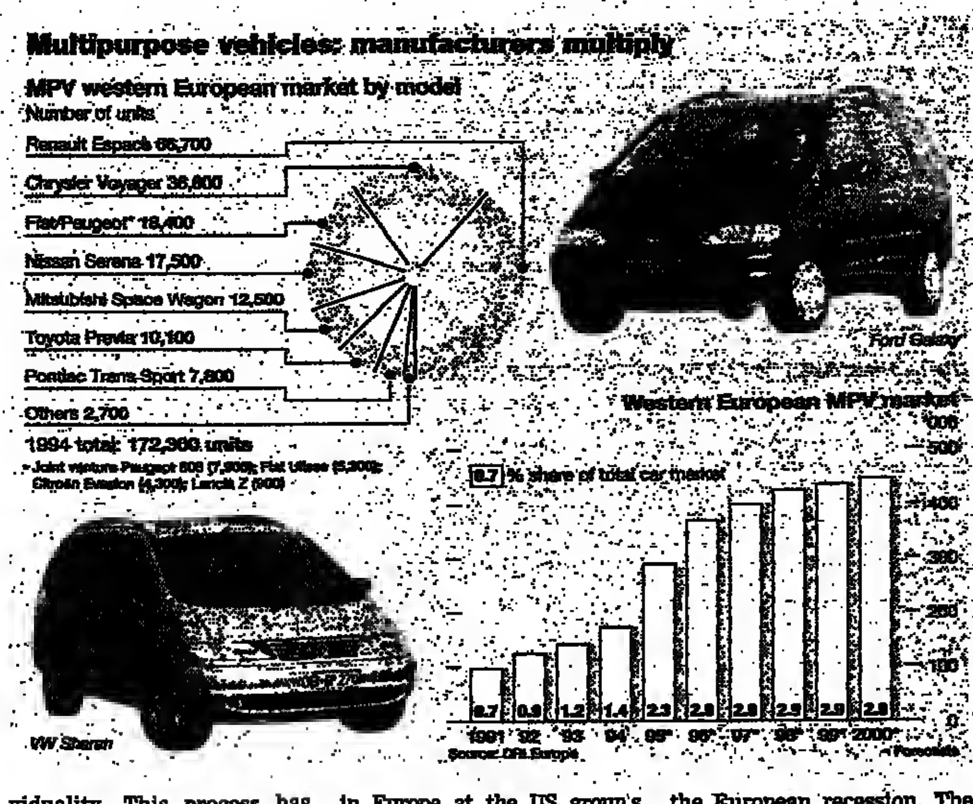
The scala of the venture, subsidised by substantial state aid from Lisbon and Brussels, has raised fears that it will create more overcapacity in an industry still recovering from the European recession. The venture has faced repeated, but unsuccessful, challenges in the European Court from Matra, which builds the Espace for Renault. Matra complained about the subsidies and argued tha joint venture should not have been cleared under European Union competition rules.

There are signs of concern from some of the new entrants that they might have got their sums wrong and overestimated the potential of the market. Last September, for example, VW's supervisory board – still struggling to shake off the record losses of 1993 – called for a new business plan for the AutoEuropa project, aimed at cutting costs and improving potential profitability. VW claimed that conditions had worsened since it approved the project in 1990. It had been hit by negative currency movements and the emergence of tougher competition.

According to Mr John Lawson, director of DRI Europe, the London-based automotive analysts, the results of manufacturers' latest market research is "less positive than it was ... Supply was freed up quite a lot in 1994, but the market did not shoot skywards."

The AutoEuropa venture of VW and Ford was announced in 1991 as a $2.8bn investment to create a capacity of 160,000 to 180,000 vehicles a year and between 12,000 and 15,000 jobs at the plant at Palmela, near Lisbon, and at suppliers.

As doubts grew about the size of the project – the total European multipurpose vehicle market totallad less than 100,000 in 1991 – VW and Ford tried to rein back the investment. According to Mr Bodo Heise, VW's joint chief executive of AutoEuropa, the total investment has been reduced, while about DM800m ($570m) of the DM2.3bn that will be spent on plant and equipment and buildings will be funded by state aid. A further grant of close to DM200m is expected as a subsidy for training.



At the outset of the joint venture it was agreed that VW would handle the design and engineering, while Ford would be responsible for manufacturing and purchasing. The partnership has not always functioned smoothly.

Mr Ferdinand Piëch, chief executive of Volkswagen, says that the pre-production vehicles he tested last autumn were "a big catastrophe".

The two companfes had underestimated the challenge of integrating their engineering and manufacturing systems and in particular the process of releasing the specification of parts to both in-house and outside suppliers. "It was like taking an electric shaver from England and trying to plug it into a socket in continental Europe. It didn't work. Unfortunately we didn't realise this until last autumn," says Mr Piëch.

The start of volume production was delayed, as the two partners struggled to understand how their systems had failed to mesh, but Mr Piëch insists that the quality problems have now been overcome.

The production of the first vehicles for outside sale began last month, and the supply pipeline to showrooms across Europe is now being filled. In the marketplace, VW and Ford will be competing with each other, as well as with the new multipurpose vehicles from at least eight rival brands.

The next problem is to find the customers.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keeo to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translatioo may be available for letters written in the main international languages.

Where to look for stolen treasures

From Mr Vladislav Baranov.

Sir, Brian Sewell is trying too hard in ridiculing Dr Mikhail Pietrovsky's "scboolboy excuse" as to who did what first – Germans or Russians confiscating works of art from each other during the second world war ("Hidden treasures with a open secret", April 10).

Mr Sewell was even prepared to travel to St Petersburg, Russia, in search for the thieves. Look no further than Bloomsbury. The British Museum and many other museums and private collections in tha UK are full of stolen treasures.

The difference is that Russians and Germans were removing paintings and other works of art during the war from the enemy as trophies. And Britisb "collectors" stole it openly and without any excuses from former colonies and many independent countries like Greece.

Vladislav Baranov,
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Single currency debate should involve economic, not political, factors

From Mr Robert Gooch.

Sir, Your correspondent, Mr Fabrizio Galimberti (Letters April 7), adds weight to the view that the debate over the single European currency generates more heat than light. In particular, be makes an invalid comparison between monetary unification in Italy and a single currency in tha European Union.

There are two debates about EU monetary union: one is politics and the other is economics. The economic argument about a single currency or locked exchange rates in Europe focuses on two crucial points – the single market and labour market flexibility. A local recession in a region of Italy would lead to most workers seeking employment in another region (with a shared language and culture).

The reality for the EU is that there is no single market; labour will not readily move to work in countries which do not share the same culture and language. Without fluctuating exchange rates or fiscal transfers, recessionary countries would never recover from spiralling unemployment.

The Commission's goals of economic convergence prior to monetary union aim at reducing the risks of local recessions in the EU.

In practice, however, some countries' economies will always perform at lower levels than others because of infrastructure, past investment, training and R&D and so on. Therefore, countries with strong economies will have to accept that they must bankroll recovery in poorer countries through the EU instruments of structural and cobesion funding.

The second and most frustrating debate is political. As an agricultural economist of no strong political persuasion, I feel that this argument centres on tha vested interests of national politicians who want to retain sovereignty and pan-European politicians who see their future in Brussels or Strasbourg.

I will not add heat to this particular contest beyond saying that I wish that politicians on both sides of the debate would use the economic argument to shed more light.

Robert Gooch,
director,
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A preferable partnership

From Mr Kenneth P. Armitage.

Sir, For tbe past decade downsizing and re-engineering, as well as mergers and acquisitions, bave been used, especially in the financial services sector, as an excuse to shed tens of thousands of jobs on the pretext of creating leaner and fitter organisations. Whether those organisations are now more effective and efficient or slimmer and greedier is open to interpretation.

However, the chairmen of the Bank of Tokyo and the Mitsubishi Bank recently stated that their merger, to create the biggest banking corporation in the world, would not include large-scale job losses. This partnership, between government, financial institutions, management and workforce serves to reinforce the Confucian principles of loyalty, duty, obligation and teamwork.

The planned merger in the UK between the Halifax and the Leeds building societies includes, apparently, a promise "that there should be no need for compulsory redundancies", ("Halifax blows whistle on Xtra time", April 7). Perhaps someone has realised, at last, that increasing the number of unamployed increases the strain on the UK economy and increases the size of the underclass. It will be interesting to see what transpires in both cases.

Kenneth P. Armitage,
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A better bet

From Mr David Edwards.

Sir, Re Barings, if I put a pony or, for that matter, a monkey on a horse in the 3.30 at Kempton Park, is that a derivative trading?

If a bank wants to bet its whole capital, and some of the customers' deposits, on the proposltion that the Nikkei index will rise, wouldn't a London bookmaker be a better bet tban the Singapore stock exchange?

David Edwards,
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Genetic engineering must be reviewed

From Dr Harold W.D. Hughes.

Sir, In "Private View" on April 8 you published an interview by Christian Tyler with Professor David Bishop, until lately head of the Institute of Virology and Environmental Microbiology (IVEM) at Oxford.

What he said about his trials of the genetically engineered virus at Witham Wood astonished us, as the only conservation body in the UK solely concerned with conservation of our native lepidoptera. He is reported as saying that "natural killers such as viruses are preferable [as insecticides] because they are insect-selective and host-specific. They cannot burt other insects or wildlife".

Prof Bishop has apparently not been following tbe research results of his own laboratory. The test virus was not a naturally occurring strain in the UK but was mutated, as your article said, with a gene from scorpion venom. What alarmed us most was IVEM's own work which showed that, of a lepidopteral species tested with this virus in the laboratory, more than half (43) were killed.

As early as 1986 it was known that 11 different families of lepidoptera were affected, pointing to the probability that this virus was very dangerous to lepidoptera in general. Rare UK species were shown to die, and had further tests been carried out it is more than likely that even more species would have been found to succumb.

Prof Bishop's departure from IVEM is, we hope, an opportunity for the whole programme to be reviewed. And this time, the legitimate concerns of conservation bodies like ours should have proper attention. More to the point, all laboratory work should first be completed, enabling the risks to be fully assessed. Trials in the field should be treated with extreme caution and at the very least a proper regime of management control and independent supervision should be established.

Bntterflies and moths are not only a beautiful part of our natural heritage; they are an essential part of the environment and in the food chain. They deserve protection.

Harold W.D. Hughes,
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FINANCIAL TIMES
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Wednesday April 12 1995

No escape from Bosnia

The war in Bosnia, now three years old, shows every sign of approaching a new cataclysm. *Nominally* a ceasefire remains in force till the end of this month. But the Bosnian government, seeing no sign of the diplomatic progress the ceasefire was supposed to permit, no longer feels bound by it. The government has been celebrating the capture of Mount Vlasic, in central Bosnia, while glossing over the high cost in casualties. Like Iran in its war with Iraq, Bosnia's Moslem leaders apparently have no qualms about using superior manpower to compensate for inferiority in equipment. And, like Iraq in that war, the Serbs havs no scruple about using their superior equipment to retaliate against civilians.

Both sides seem convinced that they stand to gain from further fighting, and neither is deterred by the prospect of high civilian casualties. The UN protection force (Unprofor), detested by both and feared by neither, has an impossible mandate. It is supposed to be a simultaneously impartial peacekeeper and protector of "safe areas" which are all on one side – and from which that side considers it can legitimately initiate military action. The temptation to pull out, leaving the parties to get on with their war, is strong.

That course is urged by interventionists, who want a free band to supply arms to the legitimate government, and if necessary to assist it with air power, in a war to liberate or reconquer national territory. It is also urged by non-interventionists who regard the Balkans, in Bismarck's famous phrase, as "not worth the bones of a single Pomeranian grenadier".

Up to their necks

Perhaps it would have been better, for Bosnia and Europe, if one or other of these approaches had been taken from the beginning of the conflict. But it is doubtful whether either is now morally tenable, or politically, or even militarily practicable, for governments which are already up to their *necks in the Bosnian quagmire.*

Nato has devoted many man-hours over the past few months to drawing up an elaborate contingency plan for the withdrawal of Unprofor. It is clear that this operation, if it has to be carried out in the midst of fighting, without the co-operation of the parties – and if it is to be an orderly withdrawal of men and equipment rather than a scramble for the helicopters – will be very expensive, take several months, and require a covering force including US troops.

Bogged down

Politically, Nato is ready for that, but the plan is bogged down in technicalities. *That illustrates* all too clearly ths lack of leadership from which Nato is now suffering. It matters, not because withdrawal is the best option politically, hut because the threat of withdrawal is now the only credible leverage Unprofor can rely on. Although both sides disdain Unprofor, both want it to stay: the government because without Unprofor the eastern enclaves will be overrun and the relentless shelling of Sarajevo will resume; the Serbs because without Unprofor – now their only link to the outside world – they are in greater danger of Nato air strikes.

So Nato must move fast to provide Unprofor with a credible withdrawal option. But no Nato government should resign itself to actual withdrawal of Unprofor so long as any hope of saving Bosnia's civilian population from a full-scale resumption of fighting remains. While Nato may almost be ready for withdrawal as an operation, it is far from ready to deal politically with tens of thousands of new casualties and hundreds of thousands, if not millions, of new refugees; nor with the spread of fighting to Croatia, and perhaps the southern Balkans.

Every effort must be made to restore and prolong the ceasefire. That means convincing the Serbs that they will not be allowed to get the better of any new fighting, and convincing ths government that, in the absence of fighting, pressure on Serbia to deliver Bosnian Serb agreement to the Contact Group peaca plan will be maintained.

No one should be under any illusion that ideal solutions are *attainable, or that peace is just* around the corner. It is a question of avoiding the worst by keeping alive the hope of something slightly better: a more equitable division of Bosnia among its three communities.

Shareholders and top pay

In *attempting to establish* a code of practice on top executive pay, Britain's Greenbury committee confronts a fundamental question. Can any new regime work without *the support of legislation?*

One view is that increased disclosure of directors' remuneration will provide shareholders with enough information to put pressure on boards to adopt best practice. This approach is in tune with that of the Cadbury Committee, while the Stock Exchange listing agreement provides a non-statutory lever to ensure compliance. Yet, in practice, it may not be so easy for shareholders to oblige.

British Gas, which has been the *focus of heated public debate over big increases in boardroom pay*, provides an interesting case study. In its latest annual report it goes well beyond the statutory disclosure requirements on directors' remuneration. Its chairman, Mr Richard Giordano, deserves plaudits for admitting to a failure to provide full and adequate explanations, while acknowledging that the business has been damaged by the public furore.

That said, tha cause of the row was not something that conld have been dealt with throngh mere explanatory finesse. Public disquiet arose chiefly because executive directors were taking enhanced remuneration when other British Gas employees were losing their jobs or taking salary cuts and the company's profits performance had been mixed. The directors were also attacked for justifying pay increases by reference to the company's international activities, which contribute only marginally to turnover and profits. In this way, British Gas came to symbolise dissatisfaction over the privatised utilities.

Criticisms still valid

Despite admirable improvements in practice and disclosure revealed in the annual report, the company's remuneration packages remain subject to these basic criticisms. It still appears to fall short of best practice in specific respects. In part, this is a matter of judgment. But it is open to question whether British Gas has complied with the Institute of Directors' (IoD) guidalines suggesting that big rewards should be reserved for exceptional performance. *Its decision to take as a* target the median directors' pay in a large sample of UK companies would, if widely applied, be a recipe for boardroom inflation.

The use of international oil and gas companies as comparators for pay, when the great majority of British Gas's profits still come from the UK, appears to be at odds with the IoD's notion of best practice. And the company's two-year rolling contracts are in excess of the recommendation of the National Association of Pension Funds (NAPF) in favour of one-year contracts.

Unusual case

What makes the British Gas case unusual is that two separate groups of shareholders have requisitioned resolutions at the forthcoming annual general meeting. Under existing company law they were each obliged to persuade another 99 shareholders to join them. Yet they were handicapped in this, and in framing resolutions, by having to meet a timetable imposed by the 1985 Companies Act, which denied them the opportunity to see the annual report. British Gas directors, meantime, have given great prominence to a call for shareholders to vote against these resolutions. They dismiss the dissidents' arguments without addressing departures from best practice.

The more substantive of the two resolutions calls for the directors to revise pay policy in line with best practice, which it defines in terms of IoD and NAPF guidelines. It thus provides a litmus test of whether disclosure alone will suffice to change boardroom behaviour. If past form is any guide, only a minority of institutions will exercise their votes; and many will vote against, because they adhere, except in takeover *bids, to* a policy of backing the board, even where directors are involved in potential conflicts of interest.

If that happens, it is hard to see how the Greenbury committee can fulfil its remit of restoring public confidence through disclosure alone. It would then need to consider the case for US-style compulsory voting and to examine the Securities and Exchange Commission's recent moves to facilitate investor activism on pay. Without such help, shareholder democracy will remain a very tender plant.

Work ahead for quality controllers

International banks have some way to go in improving management of trading risks, says **Richard Lapper**

It is common practice for international bank executives these days to pour scorn on the management failures that contributed to the collapse of Barings.

"The sbeer level of risk taken on by Barings was monumental," *says* a risk manager at one of the world's largest hanks, insisting tbat the £860m losses on Japanese futures contracts accumulated by Barings in Singapore *could* never have occurred at his own institution.

But the failure of Barings in February has brought the risks faced by banks in trading on international financial markets into sharp focus. Worries about trading risks were already growing as banks diversified their business from lending and deposit-taking to dealing in securities, foreign exchange, bonds and derivatives.

New proposals due to he announced today by international bank supervisors on so-called "market risk" could therefore not have been better timed.

The Basle Committee on Banking Supervision, the forum wbich groups the world's top bank supervisors and central hankers, will *unveil details of important changes* to the way banks monitor risk and set aside capital to meet shifts in the market value of their trading positions.

Deregulation of financial markets since the early 1980s and increased competition have squeezed margins on traditional bank business, while the growth of derivatives markets has made it easier and cheaper for banks to move into trading, an area which has historically been the preserve of securities houses.

This switch in focus has transformed the character of the risks faced by banks. To old concerns like liquidity risk (the possibility that the cash available to a bank could be exceeded by customers' calls on it), and credit risk (the likelihood of default hy a borrower) has been added a third concern: market risk – the possibility that sharp downward movements in market prices will destroy a bank's capital base.

The Basle Committee – whose membership includes senior bank regulators from the world's most powerful countries – recognised the need for action in this area in 1993, when it added new provisions to existing rules governing credit risk. Early next year tbe European Union's Capital Adequacy Directive will also introduce requirements for banks to set aside capital to meet market risk.

The committee's proposals today, however, will modify its 1993 initiative by recognising the progress made by many of the largest banks in developing sophisticated computer models – dubbed "earnings at risk" or "value at risk" models – to deal with market risks.

These models analyse the sensitivity of banks' trading portfolios to changes in market prices and use standard statistical techniques to assess the potential size of losses in a particular line of business – trading in US bonds or German equities, for example.

By measuring the way such bonds or equity prices have moved in the past, banks aim to assess the prohahility of future loss above specified limits. In addition, tbe computer models use market data to measure "correlation" – the way that different share and bond markets, interest rates and currencies perform compared with each other. Banks try to diversify risk, offsetting Involvement in one market with an roughly equal involvement in other markets which historically perform in an opposite fashion.

The Basle Committee proposals wonld allow banks to use their own models to measure market risk, rather than comply with strictly standarised measures of volatility and risk for particular financial instrumenis.

The committee will also endorse a number of other moves by banks to improve the quality of risk management. For example, it commends the use hy banks of so-called "stress tests", which examine the overall impact of a worst case scenario – a repeat of tbe October 1987 stock market crash, for example – on a bank's capital base. It also lends support to organisational principles – such as the separation of the trading and settlement arms of banks' trading divisions – commonly regarded as best practice by most of the biggest banks.

Even without the new pressure from the Basle Committee, the hanks are finding it necessary further to improve their risk management strategies.

Critics say bank computer models, for example, can have serious shortcomings. There are question marks about how accurately the models measure the correlation of different variables, such as US and UK interest rates, or the yen/dollar exchange rate. Part of the problems is that the historical data on which such calculations are sometimes based are not extensive enough.

"Those correlations shift frequently, particularly in periods of stress, and it is difficult to be certain of them, yet they exert a great influence on the models' estimation of total firm risk," Standard & Poor's, the US credit rating agency, says in a recent report. The ability of managers to understand and implement these models varies widely. They "appear to offer mathematical precision. However they are not a magic bullet," says S&P.

Other concerns include the use of risk models for measurement of more complex derivatives products, wbose performance is based on more than one economic variable – a swaption, for example, which gives a bank an option to enter a swap contract.

More generally, risk management consultants argue that banks sometimes underestimate the management effort needed to run banks safely. Mr Stephen Kingsley, partner in the banking and capital markets group at Arthur Andersen, talks of an "excessive longing for the 'standard solution' to the issue of risk management and control" and says that executives must be prepared to give more attention to broader cultural issues.

For example, advisers argue that efforts to solve settlement problems cannot be solved merely by reference to rule books. The profile, status and power of the back office – clerks who check details of trades and settle payments – and the separation of duties must be rigorously enforced by management.

Pay – in particular the buge bonus payments frequently received by the most successful traders – is becoming a *crucial element of the* risk management equation. Traders at top banks are accustomed to winning buge payouts if they are successful, or losing their jobs if they *are not, giving them little incentive* to pursue more cautious strategies.

In some cases banks could "cut their own throats" under existing arrangements, says Mr David Cannon, partner in international capital markets at Ernst & Young. By paying large bonuses to the traders in times of profit, without being able to claw them back when losses are made, banks are effectively writing options on their capital to the traders for minimal premium.

Mr Arun Aggarwal, partner in treasury and capital markets at Price Waterhouse, adds: "If you are in the habit of promoting stars and making stars to be the be-all and end-all of organisations then things like segregation of duties never work no matter what they look like on paper." He asks: "How do we combine the skills of individual traders but work within the bounds of team work? That's one of the more intractable problems around."

Some banks have made payment for traders depend not just on profits but also on the *amount* of risk to which a trader exposes a bank. Risk adjusted performance measurement, known more frequently by the acronym RAPM, has becoma a huzzword among advisers.

However, progress in all these areas of risk management varies from bank to bank around tbe world. Individual banks are often unwilling to disclose precise details of their *risk management* systems, bnt US investment banks are considered to be in the forefront of improved practices, with smaller European banks lagging behind.

Ernst & Young's Mr Cannon says banks are at least five years away from having "perfect all-singing and all-dancing systems which integrate the front and back office across all business areas".

However advanced the risk management strategies of other banks compared to Barings, few have grounds for complacency. "The best of the class," says Mr Kingsley of Arthur Andersen, "is still too small and still breaking some golden housekeeping rules."

The group's chairman is clear about its future business, say **Peter Martin** *and* **Andrew Jack**

Suez's gospel for change

For a man who has just written off FFr7.6bn (£976m) of investors' money, Gérard Worms, chairman of Compagnie de Suez, talks a lot about the importance of shareholder value.

And for a man who has spent the past four years coping with two troublesome acquisitions – of Société Générale de Belgique and a controlling stake In Colonia, the German insurer – Mr Worms displays a surprising confidence in the *group's ability to act as a corporate* "agent of change".

The apparent gap between ambitions and performance is one of the reasons why Mr Worms has to cope with an ominous presence on his share register: Banque Nationale de Paris, one of France's big three commercial banks. BNP now owns just under 5 per cent of Suez, and is thought to want Suez's subsidiary Banque Indosuez.

Although Mr Worms does not expect BNP to make a hostile takeover bid – it would be too dilutive for BNP's shareholders, he says – *he is spending a lot of time explaining* his vision for the bank to shareholders and analysts, starting in Paris today.

Ons of the things ba has to explain is the FFr7.6bn write-off, announced on February 28, which covers a deterioration in the French property market during last year. Mr Worms says that, although other financial institutions have bad property woes, about one third of the damage at Suez "could and should have been avoided". It *allowed its French banking subsid*iaries to lend and develop independently, saddling the group with too high a cumulative exposure.

Nonetheless, he says, the property problem is now past – unless there is a further dip in property prices, which he does not expect. In any case, "we have made a clear decision not to do any development or make any loans for development In future," he says. Suez is thus leaving the property business, just as it has now left insurance.

That leaves it with two main businesses: banking and acting as a *holding company* for the *remaining* parts of la Générale. Just as Suez is the legacy of the canal company, so its main banking subsidiary, Indosuez, is rooted in another part of French history: Banque de l'Indochine. The resulting business com*bines overseas banking*, particularly in the Asia-Pacific region, with investment banking both there and in Europe. There is also some European corporate lending.

Gérard Worms: unembarrassed

He is clear that the future for Indosuez, local franchises apart, is in investment banking. But what is the future for medium-sized European investment banks? A modest one, it appears: "Clients more and more consider two kinds of investment banks – the first league and the specialised onea such as us. And *we probably have to accept* more explicitly that role." He compares Indosuez with Schroders as a bank with niche activities. And if it did not have Suez as a parent it would "necessarily have to be merged".

So would it not make sense to sell Indosuez? No, says Mr Worms: selling the bank would be "very damaging" for Suez, since it is the group's spearhead in Asia and the Pacific.

The industrial side of the group contains some suhstantial businesses, including controlling stakes in Tractebel, the Belgian gas and electricity utility; and Union Minière, the mining house. But can Suez be more than a passive shareholder in such industrial holdings?

Mr Worms argues that the takeover of la Générale – although at too high a price – has transformed Belgium's old lady. Now, he says, Suez can cootribute to industrial restructuring in Europe and beyond. He says: "Many sectors doo't need such an actor, but in some sectors – banking, utilities, commodities . . . and perhaps services – we can be an agent for change." To give it influence, Suez will now only consider stakes of more than 20 per cent, wbere it is at least twice as big as the nearest *other shareholder, and where the* management is receptive to change.

Preaching the gospel of return on equity and shareholder value, Mr Worms sees Suez as a sort of continental Hanson, the UK conglomerate. The difference, he says, is not in the hard-nosed approach to financial evaluation bnt in the difficulty of organising hostile takeovers on the continent and ths need to *acquire control* progressively. Doesn't Hanson's approach also require a degree of ruthlessness? Well, says *Mr* Worms, "the future will belong to people who are not too much embarrassed by establishment sensitivities. We will try hard not to be embarrassed." That will come in handy at his meetings with shareholders.

OBSERVER

Street-wise in Washington

■ The White House has always held a special allure for tourists, protesters, hunger strikers and lunatics, like the one who claimed her brain bad been wired by the CIA. There was a time when all were welcome to camp on the sidewalk along 1600 Pennsylvania Avenue, giving tha block the appearance of a sideshow at an outlandish carnival. All that may change.

For it seems the US Secret Service has a plan for closing the historic avenue to traffic, thus blocking a busy thoroughfare used *by commuters from* all *over the* city. The Treasury, unenthusiastic about giving the White House the appearance of a bunker, is reviewing the proposal.

You can see why the men in dark glasses think closing down one of Washington's most famous streets is a neat idea – apart that is, from giving them something to do.

Last September a *pilot crashed* his Cessna aircraft into the White House, two stories below President Bill Clinton's bedroom. In October, a gunman who had told friends he wanted "to take out *the president*," fired two dozen rounds at the White House. In December, several shots were fired into the south side of the grounds.

Acts of violence aimed at the White House were rare until last year. *Clinton White House officials* are calling it "a sign of the times." Or maybe a time of signs…

French leave

■ Coface, the French export credit agency, has delayed its annual results announcement, due tomorrow. The agency insists it's *simply a victim of its location – the* dreaded modern La Défense office complex to the west of Paris, which today will be even more isolated than usual because the city's Metro *staff* will be *on strike* for the day. Obviously sceptics feel tha change might have something to do with last-minute disagreements about the figures or even – perish the *thought* – that its staff want to have an extra-long weekend, making the most of Easter.

Le Malentendu

■ With UK Conservative politicians again yelping for a privacy law to stop nasty journalists from prying, *maybe it's time to resurrect an* interesting idea by Nobel literature laureate Albert Camus, who spiritedly edited the Parisian daily newspaper *Combat* in the *immediate post-Liberation* period.

Camus wanted to see a "control newspaper" which would appear one hour after all the others. It would estimate the truth-content of *rival* papers by *having a dossier* (called Z) on the interests and *policies of their* owners *and* one (called Y) on the prejudices and interests of their journalists. "Z times Y would give you X – the probable amount of truth in the story," he said.

Z x Y would probably yield double the deceit, not greater truth. Be that as it may, Camus spotted the real difficulty: "But do people really want to know how mucb truth *there is in what they read? Would* they buy the control paper? That's the most difficult problem."

Snake charmer

■ Morarji Desai, the former prime minister of India, may have been eccentric, but he was not a bad old stick. William Crawley, former head of the BBC's Eastern service, tells the tale of how a colleague went to interview Desai in 1967. The BBC had upset the Indian authorities and before the interview started Desai – then finance minister – launched in to the reporter for the BBC's "grave shortcomings".

After Desai had calmed down the interview went ahead. The reporter hurried back to the studio, only to find that he had forgotten to press the record button. He turned for help to Mark Tully, the Beeb's *Indian guru*. *Tully gravely said* that nothing could be done.

However, the luckless hack summoned up courage and rang Desai's office, whereupon he got *another earful from Desai* about how this just went to show that the BBC was "*grossly inefficient*".

Having got this off his chest, Desai then agreed to be interviewed again the next day – a public holiday – and the Beeb had its scoop.

Burned fingers

■ At the EBRD's annual gathering *in London, Alejandro Valenzuela*, director-general for international affairs at Mexico's finance ministry, spent almost all his allocated time at the delegates' plenary session yesterday morning talking not about eastern Europe but rather the messages the recent Mexican financial crisis carried for other emerging markets.

"The EBRD must play a higher role in developing higher levels of domestic savings for investment," he said, noting that a heavy reliance on foreign capital inflows was distinctly dangerous, and that the new countries of eastern Europe should treat inflows of foreign investment with care. The voice of bitter experience…

Serrated edge

■ Hot on the heels of the Russian *stamp bearing* the head of Joseph Stalin, the US is going to release a 32-cent Richard Nixon stamp. This could set a whole new sub-trend in philately, first-day covers of *national* anti-heroes. *Anyone swap* three Nixons for a Stalin?

The Financial Times

50 years ago

Palestine war loan
A Palestine Government statement which ought to end surmises about whether the Palestine pound will eventually be devalued after the war was given by Mr Robert Scott, acting Chief Secretary and Financial Secretary, in his answers to questions at a meeting of economists, business men and Press men in Jerusalem.

Mr Scott was asked whether it would *not* be advisable to offer all subscribers to Palestine Government loans alternative repayment in sterling, which would terminate rumours regarding *currency depreciation* and prevent investment and speculation at exaggerated prices in landed and housing property etc. He replied that Palestine currency *is* based on sterling and is convertible to sterling by law.

Profit motive in industry
"I am not ashamed of defending the profit motive which runs throughout life in all sections of the community," said Sir George Nelson, retiring president of the Federation of British Industries at the annual meeting in London. "If the spirit of initiative and adventure is to be encouraged, there must be an adequate reward for success."

FINANCIAL TIMES
Wednesday April 12 1995

Britain wins court battle to stop 'benefit tourism'

By Andrew Adonis in London

Ths UK government yesterdey won a landmark court ruling sustaining its clampdown on "benefit tourism" by European nationals claiming social security payments in the UK.

The High Court ruled that the UK government was acting within national and European law in banning people not "habitually resident" within the UK or Ireland from receiving state welfare benefits.

The ruling could save the government hundreds of millions of pounds a year in benefits, allowing for the disincentivs effect on future claimants. It is also a fillip for Mr Peter Lilley, the Eurosceptic UK social security secretary, who received a rapturous ovation from the Conservative party conference in 1993 for his attack on benefits claimants, who were on "not so much a Cook's tour as s crook's tour".

The government introduced new regulations last August to tackle "benefit tourism". They restricted the benefits' rights of nationals from within the European Economic Area – the European Union plus the Efta countries – not "habitually resident" within the UK. In their first seven months nearly 18,000 welfare claimants were refused benefit after failing the "habitual residence" test.

Under the test, individuals not continuously resident within the UK or Ireland within the five years previous to their claim for income support, or other social security payments such as housing benefit, mnst convince the Benefits Agency thet their "centre of interest" is within the UK.

The test also spplies to UK passport holders, more than 2,000 of whom have failed the test. In all, more than 50,000 claimants have been subjected to the test, one third of whom have failed – a far larger number than envisaged when the test was introduced.

In his judgment on the cases of one French and two German nationals refused benefit, Lord Justice Balcombe said EU work-seekers had no right under European law to non-contributory welfare benefits within the UK. He added: "There is nothing unusual in the concept that rights of movement and rights of residence within the community do not necessarily carry with them rights of maintenance." He refused leave to appeal.

Mr William Hague, social security minister, said the ruling "sends a message to people who want to come to this country that they should provide for themselves in the same way as British citizens are expected to do in Europe and abroad". According to the social security department, no other European state gives non-habitual residents an automatic right to welfare benefits.

The cases before the High Court concerned Mr Michael Getachew, 20, an Ethiopian adopted by French parents and raised in France, who came to England last September in search of a job in a French restaurant; and Mr Jan Urhanek, 35, who lived and worked in England for some time between 1990 and 1992. He returned to Germany, came back to England last year with his 64-year-old mother, and both claimed income support.

German economists warn of twin threats to job creation

By Andrew Fisher in Frankfurt

Germany's leading economic institutes yesterday warned the government that the impact of a strong D-Mark and a round of overly generous wage increases are undermining the ability of German companies to create jobs.

The spring report from the six institutes, the most influential of Germany's forecasters, said exports and corporate profits would also be dampened by the strong D-Mark. It also urged the government to overhaul the tax structure to stimulate demand.

The report surprised some analysts, and pleased the government, by forecasting that German gross domestic product would expand by 3 per cent this year, even though the strong D-mark would restrain growth. Mr Theo Waigel, finance minister, welcomed the estimate as supporting the government's economic forecast.

The institutes said that west Germany's economy would grow 2.5 per cent this year and east Germany's by 8.5 per cent, compared with 2.3 per cent and 9.2 per cent last year. They forecast a decline of only 203,000 in the German jobless level this year to 3.5m, an unemployment rate of 9.1 per cent.

Unemployment at the end of last year was 9.6 per cent, but the institutes said the government had not paid enough attention to job creation. They argued that pension and unemployment contributions should be cnt to reduce labour costs and encourage the growth of jobs.

Although the D-Mark had risen by 7 per cent against the currencies of Germany's leading trading partners over the year, the report said companies would maintain market share through cutting prices. It also pointed out the strong D-Mark would reduce the price of imported materials.

The six research institutes – in Berlin, Hamburg, Munich, Kiel, Halle and Essen – also took aim at the recent round of annual wage increases of about 4 per cent. They said the increases were too large and had put too mnch of a burden on German companies.

The institutes said taxes and social levies totalled 44.5 per cent of GDP, and "the state is thereby withdrawing financial resources from the private sector st an unprecedented level". The goal of fiscal policy should not just be to cut the budget deficit, the report said, but also to limit the tax burden and stimulate business activity.

The institutes' criticism of tax policy is based on tax cuts for those on lower incomes agreed for 1996.

Made necessary by a ruling of the constitutional court, they establish a minimum tax-free income level of DM12,000 (£5,357) for single people and DM24,000 for married couples. But the report said these figures, based on the 1992 ruling, were too low and that minimum tax rates should also be cut.

Pechiney selling assets to cut debt

Continued from Page 1

round a concentration on aluminium and core packaging activities, described hy Mr Rodier as the "two pillars of the group".

He was optimistic abont the long-term prospects of aluminium, arguing that oversupply from Russia had been resolved, and he outlined strong growth prospects in packaging areas such as healthcare and beanty.

Mr Rodier emphasised the need to reduce debts. Net debts stand at about FFr25bn, substantially more than shareholders' funds of FFr15.3bn at the end of last year.

The rednction in borrowings will be achieved partly through a sale of assets, including Howmet, the group's US turbine components operation, and its US glass and food packaging businesses. The businesses represent about a fifth of gronp turnover and more thau 20,000 employees.

The revenues from asset sales are to be buttressed by a capital increase. Mr Rodier said the capital raised would be between FFr2bn and FFr10bn and would not involve any participation hy the French state. News of the capital increase prompted a sharp fall in Pechiney shares, which lost FFr17.9 to FFr317.

Mr Rodier's strategy also involves limiting investment to activities with growth potential.

Chinese revolution veteran Chen Yun dies at 90

By Tony Walker in Beijing

China's media broadcast solemn eulogies last night to mark the death of Mr Chen Yun, 90, a veteran leader of the Communist revolution who had clashed with Mr Deng Xiaoping, the ailing paramount leader, over the country's market reforms.

The success of reform means his death is unlikely to shift the balance of the Chinese leadership or the country's economic direction, though diplomats and liberal Chinese officials once feared that if Mr Deng died before Mr Chen, the country's reforms would be rolled back.

Obituaries read ont on state television praised Mr Chen for his dedication to the revolution. His death was described as a "great loss to the party and nation". No mention was made of his differences with Mr Deng.

The Chinese government used the occasion to call for a show of unity. People were urged to learn from Mr Chen's "lofty spirit" and "rally around the Communist party central committee with general secretary Jiang Zemin at its core".

Mr Chen was the figurehead of China's "conservatives", though he supported economic change. While Mr Deng urged speedier reforms and a more emphatic opening to the west, the influential Mr Chen emphasised the role of central planning and the need to avoid the excesses of capitalism and "money worship".

He was one of China's leading economic officials during the 1950s and 1960s before being purged in the Cultural Revolution of 1966-76. He returned to the politburo in 1978 and proved a close ally of Mr Deng in early efforts to launch China's modernisation drive and opening to the west.

He was well-known for his "bird cage" theory of economic management, which was in favour of reforms, as long as they were introduced within a state-controlled structure, stating: "The bird should be allowed to fly, but only in the cage. If there is no cage, the bird will escape."

Since be stepped down from the politburo in 1987 at the behest of Mr Deng, Mr Chen acted as mentor for conservative figures in the leadership, including Premier Li Peng and President Jiang Zemin.

He re-emerged into the limelight during the Tiananmen crisis of 1989, when elderly conservatives took control of the party and government.

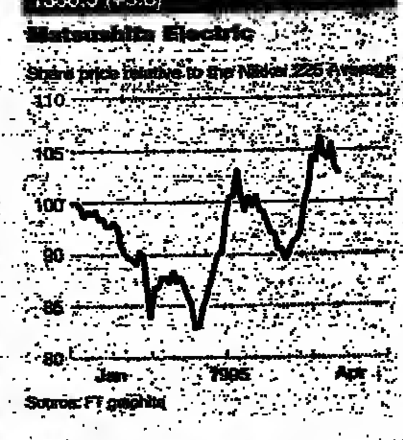
He was regarded as one of the "eight immortals" – veteran revolutionaries given divine status in Communist party ranks. Of tbe eight accorded this status after the death of Mao in 1976, only five survive.

Veteran whose fortunes flowed with Deng's, Page 4

THE LEX COLUMN

Burnt wings at Matsushita

FT-SE Eurotrack 200: 1380.3 (-3.8)



Source: FT graphite

As moths are drawn to flames so the Japanese electronics groups were tempted to Hollywood. The consequences were equally predictable: forays by Sony and Matsushita into film-making were fundamentally flawed. Both believed that by controlling software they could dictate hardware standards. But other electronics companies had differing ideas: the dominant format for the future crucial technology of digital video was set without either Sony or Matsushita.

Unable to dictate standards, Matsushita discovered the *raison d'être* for owning MCA had disappeared. Throw in the studied insults inflicted by MCA's managers on Matsushita's executives and its retreat from tinsel town becomes still more understandable. The intangible benefits of imposing standards were always outweighed by the huge risks involved in film-making.

Matsushita's exit does not entirely lack grace. Most of the damage was wreaked because of the yen's appreciation against the US currency. In dollar terms, the deal values MCA at about $7.3bn compared with the $6.1bn the Japanese group paid in 1990, although the subsidiary's value is diminished by about $1bn of debt. Meanwhile Matsushita is left with 20 per cent of a company with good prospects, compared with 100 per cent of something it was incapable of managing. The group's undertaking to invest in semiconductors and electronic devices is surely sound: Matsushita will always feel more comfortable in Silicon Valley than Hollywood.

Pechiney

Pechiney's plan to slash its debt by raising capital and selling assets is a pre-requisite for successful privatisation. It also makes strategic sense. Asset sales will refocus the group on its two interlinked businesses of aluminium and packaging. But they will not make sufficient inroad into the company's debt mountain, the servicing of which is currently absorbing all its operating profits. Beyond that the company will need capital, but precisely how much remains vague. The management has indicated a disconcertingly broad range of between FF2bn and FF10bn, which could dilute existing shareholders' interests.

The rush to knock the company into shape for privatisation by the end of the year is wise if the group wants to be privatised on the right side of the economic cycle. The aluminium price rose sharply last year, due to heavy investment by hedge funds and an *output freeze*, but it may be peaking. Any price fall would have a negative impact on the aluminium side of the business. The company could also be vulnerable on the packaging side, due to its heavy reliance on a small number of powerful customers.

Mr Jean-Pierre Rodier, Pechiney's new chairman clearly has a stronger grip on the company than his predecessor. His rationalisation plans make more sense that the former chairman's idea of merging with an slectricity company, and he should be able to sell the assets he wants to get rid of without much difficulty. His ability to make the core businesses perform remains to be proven.

Gehe/AAH

Gehe's hostile bid for AAH is finely balanced. Shareholders' hopes for an improved offer from Gehe next Tuesday were bolstered yesterday by AAH's defence document which promised imminent disposals and further rationalisation. Expectations are raised further as the FT-A All-Share index has risen 5.5 per cent since the bid was launched, while the D-Mark's 3 per cent appreciation against sterling makes the proposed deal cheaper for the German group.

If shareholders do hold out for a higher offer, they will be gambling that Gehe's desire to diversify away from an increasingly difficult domestic market outweighs its protestation that it is offering a full and fair price. Were Gehe to make its existing offer final, it would be betting that shareholders have lost patience with AAH's consistent inability to realise promises.

In any case, Gehe does not need to raise the bid dramatically to be sure of success. An additional 10 per cent would value AAH at about 16 times historic earnings. That is close enough to the 17 times earnings paid by Gehe for France's OCP in 1993. Besides, AAH deserves a lower rating than the French group as there is less scope for rationalisation at the British company. Gehe can take the risk of only marginally increasing the bid: a counter-offer from the likes of Bergen Brunswick of the US, though possible, remains unlikely. If a white knight had been ready to enter the lists, it would probably have made its entrance earlier by making an agreed offer.

Tesco

Tesco's response to an increasingly competitive food retailing environment has been adroit: that is the chief message of yesterday's figures. Its tactics – selective price reduction, imaginative incentive schemes, clever expansion by acquisition and the creation of new store formats – have paid off. Like-for-like sales have grown by 7 per cent in the seven weeks since the introduction of the Clubcard incentive scheme, twice the industry average.

But that does not mean competitive pressures are subsiding. The seemingly bizarre stock market reaction to the numbers reflects concerns that, if anything, Tesco's performance was too good. Shares fell across the food retailing sector amid fears that Tesco is almost bound to provoke retaliation. Rivals will fight to grab back market share, with further deleterious consequences for margins.

Tesco has had to sacrifice some of its gross margin to stimulate volume growth, but so far the impact of its various pricing schemes has not been too damaging: the gross margin was down by a modest 0.1 per cent last year. The Clubcard incentive scheme will take a modest toll this year and there are signs that net margins will also come under pressure as staff numbers rise. But for as long as sales growth holds up at current levels, the trade off between margins and volumes is worthwhile. The group's modest discount to the market for the current year looks anomalous when compared with the premium rating still enjoyed by J. Sainsbury.

See additional Lex comment on BBA, Page 22

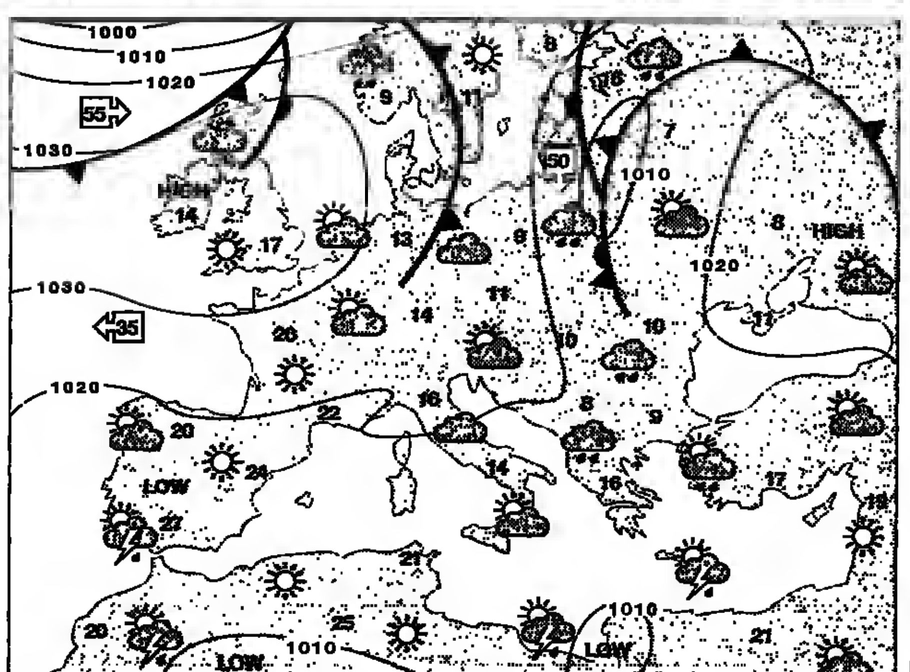
FT WEATHER GUIDE

Europe today

Strong high pressure over the British Isles will influence much of western Europe. England and Wales will be dry with sunny periods. The Low Countries will see a weak frontal system, followed by clearer weather in the afternoon. France and northern Spain will have a lot of sun. Southern Spain and Morroco will have a few thunderstorms and temperatures will range between 25 and 30C. Eastern Europe, the Balkans, Greece and western Turkey will have rain, which could be heavy at times.

Five-day forecast

In the course of the week, high pressure will move away from the British Isles. An active depression over northern parts of the North Sea will move south-east, and will stall over Denmark at the weekend. This will lead to changeable conditions over most of western Europe and temperatures will gradually drop to below normal. Much of the Mediterranean will have mainly settled conditions.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	33
Accra	cloudy	34
Algiers	fair	21
Amsterdam	fair	13
Athens	shower	15
Atlanta	thund	23
B. Aires	sun	18
B.ham	fair	15
Bangkok	fair	36
Barcelona	fair	19
Beijing	sun	21
Belfast	fair	14
Belgrade	cloudy	9
Berlin	cloudy	14
Bermuda	fair	22
Bogota	fair	21
Bombay	sun	32
Brussels	cloudy	15
Budapest	rain	8
C.hagen	fair	10
Cairo	sun	21
Cape Town	sun	24
Caracas	fair	29
Cardiff	fair	15
Casablanca	fair	20
Chicago	cloudy	11
Cologne	fair	15
Dakar	sun	24
Dallas	sun	22
Delhi	fair	32
Dubai	sun	33
Dublin	fair	14
Dubrovnik	rain	13
Edinburgh	fair	14
Faro	shower	21
Frankfurt	cloudy	15
Geneva	fair	17
Gibraltar	shower	21
Glasgow	fair	14
Hamburg	cloudy	13
Helsinki	fair	7
Hong Kong	fair	26
Honolulu	cloudy	29
Istanbul	shower	14
Jakarta	cloudy	31
Jersey	sun	13
Karachi	sun	34
Kuwait	cloudy	27
L. Angeles	sun	24
Las Palmas	shower	23
Lima	sun	28
Lisbon	shower	25
London	fair	17
Lux.bourg	cloudy	15
Lyon	fair	19
Madeira	shower	20
Madrid	fair	27
Majorca	fair	21
Malta	fair	15
Manchester	fair	15
Manila	cloudy	33
Melbourne	fair	17
Mexico City	sun	24
Miami	fair	29
Milan	fair	17
Montreal	rain	14
Moscow	shower	17
Munich	cloudy	12
Nairobi	cloudy	27
Naples	fair	18
Nassau	fair	26
New York	cloudy	13
Nice	fair	18
Nicosia	fair	23
Oslo	fair	14
Paris	fair	18
Perth	sun	30
Prague	cloudy	12
Rangoon	sun	36
Reykjavik	rain	4
Rio	shower	29
Rome	fair	15
S. Frsco	fair	19
Seoul	sun	17
Singapore	shower	32
Stockholm	fair	12
Strasbourg	cloudy	16
Sydney	fair	23
Tangier	shower	19
Tel Aviv	fair	20
Tokyo	cloudy	16
Toronto	shower	18
Vancouver	rain	12
Venice	fair	15
Vienna	fair	10
Warsaw	rain	5
Washington	shower	20
Wellington	shower	17
Winnipeg	snow	3
Zurich	cloudy	15

FINANCIAL TIMES SURVEY

Guernsey

WEDNESDAY APRIL 12 1995

هكذا من الأصل

■ INTRODUCTION

Prosperous island seeks to assert its own identity

*But the question often asked locally is whether the risks in the economy need to be more widely spread. **Barry Riley** reports*

In its long history, Guernsey has probably never exploited its position just off the coast of Normandy to greater advantage than during the recent period of growth in the finance industry. Although the economy has slowed sharply during the 1990s, the island has avoided the actual recessions that have affected the big neighbouring economies of the UK and France.

Yet the commemoration ceremony next month of the liberation of Guernsey from German occupation 50 years ago, an event for which the Prince of Wales will visit the island, will provide a reminder that this geographical situation can bring vulnerability too.

Although a Nazi occupation museum provides a rainy day diversion for curious tourists, the wartime occupation – which lasted right until VE-Day, some 11 months after Normandy was liberated – has never been a great topic of local debate.

There were too many conflicting memories of bravery and betrayal, of oppression and compromise, for the long years of occupation to be discussed without opening old wounds. Today, those personally involved have died or grown old. Yet the experience of occupation must still affect Guernsey's relationship with the United Kingdom, from which it is fiscally and domestically independent. The UK, on behalf of the Crown, retains responsibility for external affairs, including defence.

In recent years the threats from continental Europe have been less catastrophic but the relationship with the European Union has at times been the subject of nervous debate.

The position is now regarded as secure. The Bailiwick sits politically, as well as physically, on the edge of Europe. It is within the customs union for physical and agricultural goods. But under Protocol 3 to the UK's Act of Accession to the Treaty of Rome its finance industry is unfettered by the Single Market rules laid down by Brussels.

Jersey and the Isle of Man are similarly positioned. Although the three islands can negotiate special relationships with individual EU member states – and have done with the UK – in general they are seeking business from clients who want access to European markets but do not wish to come within its fiscal or regulatory orbit.

For those seeking "onshore" connections with the EU, Luxembourg and Dublin are in several respects better centres for doing business across Europe.

Mr Charles Tracy, chairman of the Guernsey International Business Association, and a banker at N.M.Rothschild, says that the finance industry is attracting a satisfactory level of business. "The labour market is reasonably in balance – it's the best test one can apply," he says.

Although the offshore finance industry is now extremely well established in Guernsey, it has grown up in a comparatively short time. Official economists closely track the components of export earnings as a measure of how the island's wealth is generated. On the basis of the latest available figures, for 1993, finance contributed 55 per cent.

This is not the same as the proportion of total output, and finance employs a more modest 19 per cent of the workforce (though at above-average pay rates). However, through multiplier effects and through tax revenues, Guernsey has become overwhelmingly dependent on the offshore finance industry. The question often asked locally is whether it is riding a tiger it cannot control.

In 1972, the finance sector contributed only 9 per cent of net export earnings. Since then, finance has effectively displaced horticulture, the contribution of

Paul Backhouse: 'I don't like to see us arguing'

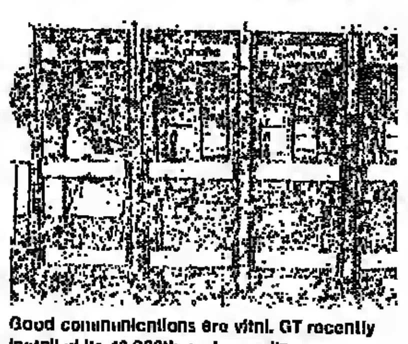
EMPLOYMENT BY ECONOMIC SECTOR

	1989	1991	1994
Exporting sectors			
Horticulture	956	979	857
Manufacturing	2299	1950	1715
Hostelry	2295	2201	1965
Finance	3986	4423	5010
sub total	9533	9453	9547
Other sectors			
Other primary	309	332	300
Construction	2109	2143	1762
Utilities	483	459	391
Transport	1161	1072	985
Selling	4373	4490	4379
Personal services	609	549	573
Recreation/cultural	316	279	263
Miscellaneous business	054	969	976
Information services	552	582	911
Health	1982	2029	1887
Education	1019	1192	1213
Public administration	2097	2088	2385
Non-profit	154	115	123
Total	25,434	25,662	25,324

Source: States of Guernsey Advisory and Finance Committee/Census and Social Security Authority

ON OTHER PAGES

Philately turnover exceeds £2m. Report Page 22



Good communications are vital. GT recently installed its 40,000th exchange line

Production Editor: Philip Sanders

Guernsy Post Office plans special stamps for the liberation anniversary

■ TOURISM

Focus switches to mainland Europe

*Guernsey is looking beyond the UK to new markets and a different kind of visitor, writes **Harriet Arnold***

In the 1960s, when the furthest south that British Rail employees could travel on free tickets was the Channel Islands, they flocked to Guernsey with their families and their buckets and spades. Now Guernsey is having to look beyond the UK to new markets and a different kind of visitor.

In recent years, Guernsey has lost out to more exotic destinations, while the bed stock has diminished as self-catering and guest house accommodation has been converted to dwellings because of pressure on housing stock.

"We would like to think that the tide has been stemmed," observes Mr Christopher Brock, director of tourism, while admitting that the reduction in bed stock from 14,500 in 1968 to just over 9,000 in 1994 looks dismal.

Moreover, the trend in forward bookings has been steadily downwards, and visitors are booking later and staying an average 5.2 days in 1993, compared with 0.0 days in 1985.

However, Mr Brock detects a halt in the decline in 1994. He also notes applications for new beds, mainly at the four- and five-crown level and in self-catering.

In the meantime, "there has been a fundamental change in marketing policy", says Mr Brock. "Without neglecting the UK, the focus now is on continental Europe."

It is here that an increase, albeit from a very low base, has been seen in the number of visitors to Guernsey. The current mix of visitors is roughly 70 per cent from the UK (half of which come for a package holiday), 10 per cent from Jersey and 20 per cent from mainland Europe and North America. The non-UK market is absorbing nearly 50 per cent of marketing resources, says Mr Brock.

He says that continental European visitors are attractive for several reasons: they are in the AB socioeconomic group (compared with the UK's ABC1); they stay longer; spend about £50 more each; and they appreciate the attractions of Guernsey.

"There is growing interest in green, environmental holidays and they appreciate Guernsey's strengths in the opportunities for walking or cycling as well as clean beaches and clear atmosphere," says Mr Brock.

Guernsey, he notes, already has seven of the 100 best bathing beaches in the British Isles. High on these visitors' lists is a trip to the islands of Herm or Sark where there is no industry or cars.

Mr Brock sees Guernsey's main competitors for these target visitors as Ireland, Scandinavia and Scotland. The leading markets are Germany, France, Switzerland and the Netherlands.

Mainland European visitors are more likely to make Guernsey their main holiday, while UK bookings are increasingly made as last-minute second holidays. So far this year, forward bookings from mainland Europe are 30 per cent up, from just under 10,000 last year. The fact that these visitors stay longer probably accounted for a slight upturn in bed-nights recorded for 1994.

For the 1994 season, a free video about holidaying on the island was sent to every inquirer – 200,000 for the UK and 80,000 to mainland Europe (produced in German, French and Dutch). So far this year, 150,000 inquiries have been received from mainland Europe.

"The general feedback is that it played a significant role in maintaining 1994 figures overall and certainly was significant in mainland Europe," says Mr Brock.

In shops in St Peter Port the owners agree only too readily that tourists are getting fewer and the season is getting shorter. They are less confident than Mr Brock that inquiries for the video convert to bookings and some would like to see direct subsidies to keep the cost of travel down.

A recent Touche Ross report led to a closer look at the question of quality. "We stress quality continually," says Mr Brian Sheriff, chief executive of the Guernsey Hotel and Tourism Association (Ghata), which represents 90 per cent of the bed stock in the accommodation sector, mainly in hotels and self-catering. But, he says, hotel managers face an uphill task because of the turnover of staff exacerbated by the restrictions on importation of workers.

"The Touche Ross report confirmed everything we've been saying for years," says Mr Sheriff. The sector needs "a decent level of profit" and Ghata is pressing the States for support, for example through favourable planning decisions for building new self-catering facilities, or tax allowances to attract more people into the sector.

St Peter Port: forward bookings from mainland Europe are 30 per cent up

Pictures:Tony Andrews

Christopher Brock: change in marketing policy

هكذا من الاصل

There are about 450 beds for visitors on Alderney, including self-catering, guest houses and hotels. About 7,000 yachts called last year and about 6,000 visitors arrived by air *Picture: Collections/Alain Le Garsmeur*

Alderney: tiny but tantalising

On a clear day, Guernsey's offshore islands are tantalisingly visible, including – way up to the north – Alderney, "a rock in the English channel", measuring three miles by 1½ miles. Tourists reach it by commercial aircraft, by yacht or by private aircraft, writes Harriet Arnold.

Income to the island from tourism is very important, says Mr John Russell, chairman of Alderney's tourism committee. "We probably couldn't have an air link with the mainland without the visitors".

Hotels, pubs and other services would suffer, he says. And "it helps keep down the price of a tin of baked beans, too". So tourists are being wooed, but "Alderney is an undeveloped island and we want to keep it that way," says Mr Russell. It is ideal, he says, for young families because the beaches are "safe and sandy – the sand is pure white and as fine as powder" – or for over-45s seeking peace and quiet.

There are about 450 beds for visitors, split between self-catering, guest houses and hotels. Last year, about 7,000 yachts called in to Alderney and an estimated 6,000 visitors arrived by air.

Alderney is keen to develop its offshore finance industry. It has its own new companies legislation – The Companies (Alderney) Law 1994 – although financial companies are policed by the Guernsey Financial Services Commission. The UK's Portman Building Society has an operation on the island.

Alderney's many attractions include: wild birds, wild flowers, shooting, an international juggling festival, an annual hill climb, its suitability as a destination for private small aircraft, sea angling, and the salvage from a wreck, believed to be from the end of the 15th century.

The island has relaxed its licensing laws so that alcohol is now served from 10am to 1.30am the next morning.

Turnover from philately exceeds £2m

Guernsey Post Office regularly issues new stamps and annual turnover exceeds £2m.

The issues cover a wide range of themes and are varied in appearance.

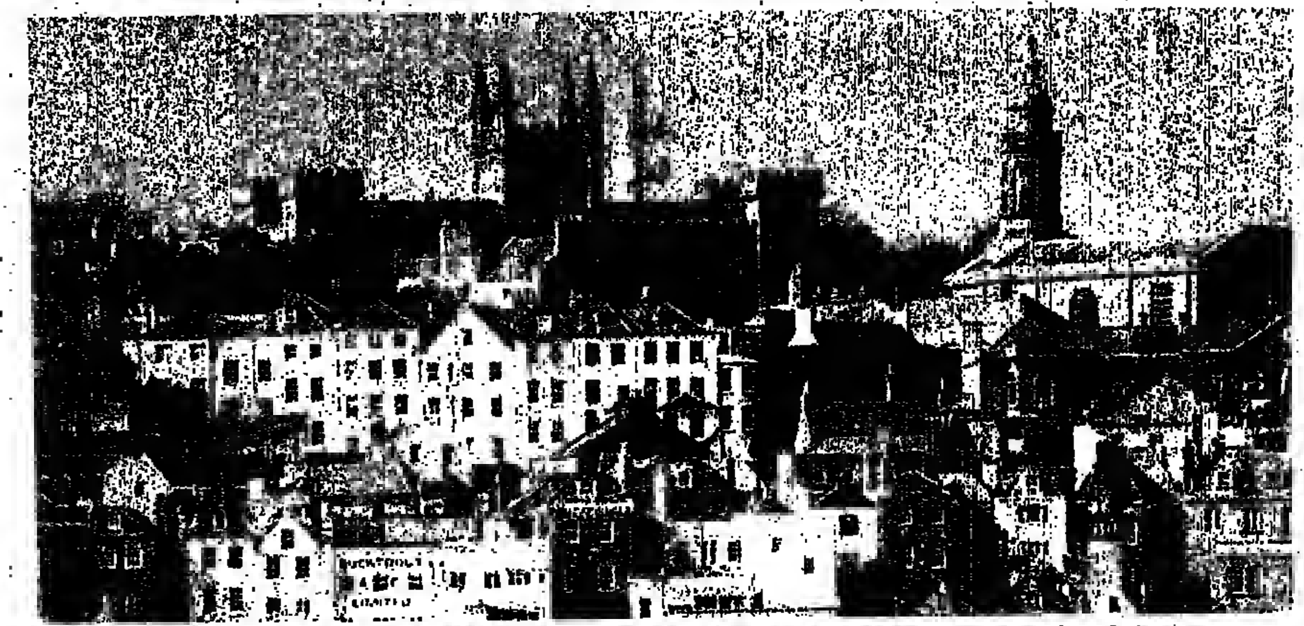
A special issue for May 9 commemorates the 50th anniversary of the liberation of Guernsey when occupying German forces surrendered to British troops.

Montages of original photographs have been used to illustrate some of the emotions of that time. There are five stamps in the set.

Another set of stamps, *The Welcoming Face of Guernsey* which was released on February 28, is designed specifically for holidaymakers.

The set of eight greetings stamps is priced at 24p each; the rate which takes letters and postcards from the Bailiwick of Guernsey to the UK.

The souvenir sheet has eight appropriate greetings messages around the edges.



The UK, on behalf of the Crown, retains responsibility for external affairs although Guernsey is fiscally and domestically independent *Pictures: Tony Andrews*

which has collapsed in just over 20 years from 38 per cent to 4 per cent. Tourism has also withered, although it still provides about 16 per cent. There has been a steadier contribution, currently 19 per cent, from the so-called rentier sector, which represents the investment income of island residents.

What are the prospects? All around the globe the footloose wealth which offshore centres such as Guernsey are seeking to manage is growing rapidly, especially in the Far East, a region which the island's institutions are focusing on more actively, and Latin America, where they are perhaps less well-placed.

On the other hand, there is plenty of competition. During the 1980s Guernsey prospered partly because of the perception that its bigger neighbour Jersey was largely closed to new business. But recently Jersey has found ways of permitting renewed expansion and, for example, is now beginning to compete in insurance, an industry in which Guernsey for a long time had a fairly clear run.

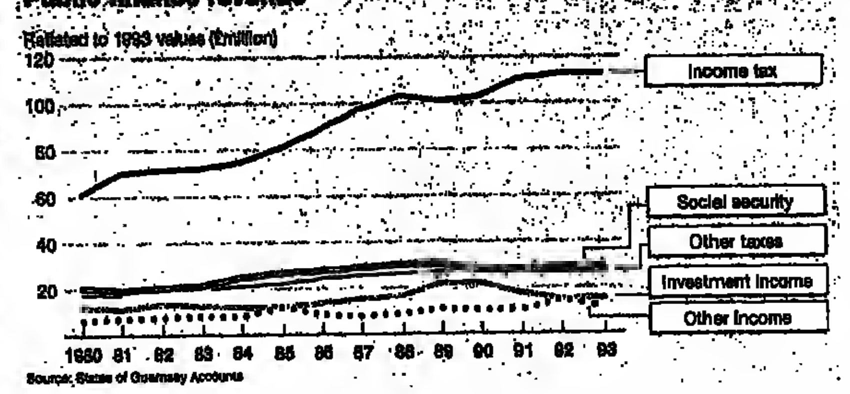
Jersey is much better known internationally and since 1992 Guernsey has been spending public money to promote a separate image for the island as more than just a junior Channel Island. A promotional steering group has been set up, and now discourages press coverage which deals with the Channel Islands as a whole rather than Guernsey in particular.

Some local financiers are worried, however, that the islands do not co-operate enough. "A separate image is OK," says Mr Paul Backhouse, managing director of MeesPierson, "but I don't like to see us arguing with Jersey. Outsiders find it hard to understand."

Is there a difference between Guernsey and Jersey? In quality of business, scarcely. Guernsey is distinctive in having a sizeable insurance industry, and may be more closely identified with private banking.

Mr Jim Gilligan, director of Channel Islands Business Development for Kleinwort Benson, a bank which somewhat

Public finance revenue



Source: States of Guernsey Accounts

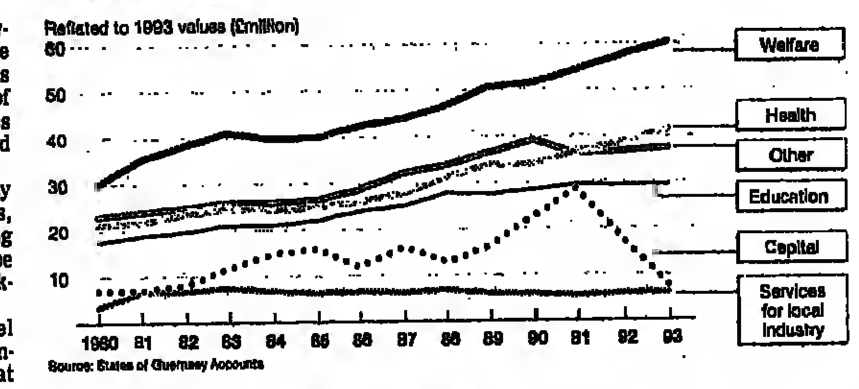
unusually splits its activities roughly equally between Jersey and Guernsey, says that client preference often plays a part in deciding which island will get the business.

"Clients will remember they went to Jersey or Guernsey many years ago on holiday," he says.

That the business comes at all is largely the result of advances in technology, which has been a crucial element in the growth of offshore finance in isolated locations such as Guernsey. Not only has instant communication become possible with leading onshore financial centres but back office technology has been compatible with the employment of thousands of local people, who have been able to acquire the necessary medium-level skills.

One risk, perhaps, is that back office automation will advance much further. The emphasis will then be much more on front office staff with greater skills – dealers, salespeople with languages, investment managers and insurance underwriters. These are the kinds of people who already tend to come in from outside the island, generating political tension.

Public expenditure



Source: States of Guernsey Accounts

The politics of work permits is a highly contentious subject in Guernsey, where many local people feel that the island is already overcrowded. It is hard not to agree when house prices are 60 per cent higher than in the UK, and there are some 42,000 motor vehicles run by a population of fewer than 60,000.

Actually, there are no work permits as such, only a system of residential rights. Unlike big countries, but like certain smaller ones such as Switzerland, Guernsey can keep its local unemployment rate very low by bringing in workers temporarily in busy times but excluding them in a recession or during the off-season.

For many years, immigrant labour has been important in tourism and horticulture, but at least those industries have been largely owned locally. Financial companies, in contrast, are almost all owned outside the island – deliberately, because local institutions have been discouraged for not providing the right quality and image. It is only because of the local jobs they have provided that the finance industry has been able to avoid greater political hostility.

It is generally agreed, however, that the risks in finance can be offset by diversification.

Mr Gordon McDonald, a partner with the accountants KPMG Peat Marwick, points out that his office has clients in more than 70 countries. "It's a one-legged economy. That's why as an island we have to achieve geographical spread to reduce the risks," he says.

Finance, it is also argued, is not one industry but several: banking, investment funds, insurance, trusts, law and accountancy. Guernsey, as a stroll up and down the steep alleyways of St Peter Port will quickly reveal, has a good spread across all these.

It is an invasion that, by and large, is welcomed by the islanders. But like the occupation by the Third Reich it may not, after all, last for a thousand years.

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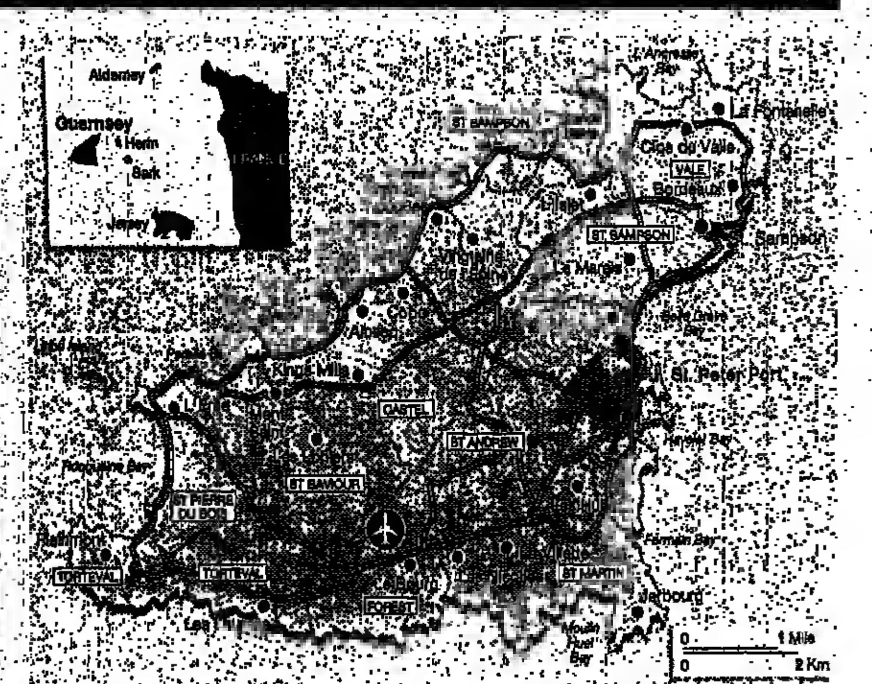

The slowdown also halted the rapid escalation of house prices

Picture: Tony Andrews

■ THE ECONOMY

Recent signs of a modest upturn from the 'plateau'

Barry Riley examines the structure of Guernsey's government – and its finances

They don't talk about a recession in Guernsey: they prefer a word like "plateauing". Thus Conseiller Laurie Morgan, president of the Social Security Authority and vice-president of the powerful Advisory and Finance Committee, aays: "We have a buoyant and thriving economy. We went through a plateau period, hut I believe we are now moving upwards."

The times of plenty for tha Stetes of Guernaey – as the government is called – ended et the start of the 1990s when income ceased to rocket and began to edge ahead only slowly. That led to a capping of departmental spending budgets which has become increasingly uncomfortable.

Between 1986 and 1992 the island tucked part of its eurplue away in a contingency reserve which was targeted to reach about 50 per cent of annual expenditure. At some £43m, the reserve etands at only ebout half the target level, and the 1995 budget does not allow much bope that subetantial "rainy day" investments will be possible in tbe near future.

In fact, the fund was drewn on a few years ago to finance the Longue Hougue reolamation scbeme, and the £8.4m involved is being replaced very alowly. But it is argued that, paradoxically, the controversy generated by this tapping of the fund will make it more secure againat attempted raids in the future.

During the 1990s the budget surplus has been shrinking steadily as expenditure has risen faster than sluggish income. Nearly a quarter of spending is formula-led and can only be estimated rather than controlled in the sbort run.

The 1995 budget relies on a £5m transfer from reserves in order to balance, although the actual outturn will depend on the buoyancy of income tax (which applies to companies as well as individuals, and accounts for nearly three-quarters of total revenue).

The recent signs of a modest upturn in the economy – social security contributions picked up eignificantly in the final quarter of 1994 – may mean that the squseze will be less serious than predicted.

Politically, however, the slowdown in the 1990s has brought some bonuses. The economic pressure that was threatening to drive the island'a population above 60,000 has eased, as construction workers and others have rsturned to the mainland. The States resolved to hold the population below 60,000 by the early 21st century. It is estimated to be 58,500-59,000 today. Effectively, the island is following a zero employment growth strategy.

The slowdown that never quite became a recession also halted the rapid escalation of house prices, which on the local market were rising et an average of 20 per cent a year between 1983 and 1990. Prices are now steady altbougb still very high by UK standards. Three-quarters sell for £75,000 or more, and prices in the small decontrolled sector (open to incomers without right-to-work documents) average £500,000.

The population pledge is one plank of government in Guernsey. Another is the sacrosanct etetus of the 20 per cent rate of income tax. And in the absence of party politics, government is ,in effect, by consensus, which sets strict limits on policy.

"The recommendatioae of the Advice and Finance Committee have to be supported by at least 29 of tbe 57 members," says Conseiller Morgan.

The comfortable and still very prosperous island is content to renew itself very slowly

Politics can be described as conservative, but not exactly right wing. Some 65 per cent of tbe budget is spent on health, social services and education – although unemployment is not an expensiva item by mainland standarde (even in the recent winter it has been running at lese than 2 per cent).

"The politics of the Guernsey government are probably a little bit left of centre in many reepects," saye Conseiller Morgan. Mr Anthony Webber, a States deputy, points out that there have been no moves towards privatisation in Guernsey. "We bave the best of both worlds," he suggests.

But Guernsey's politicians ara eometimse alleged to be too old and too unrepresentative of the working population and those raieing young families. It ie difficult for working people to stand for the Stetes unless they have very understanding amployers.

Certainly there is preseure for constitutional change. A first etage of this happened a year ago when the 12 conseillers censed to be chosen by deputies but were directly elected for six-year terms on an all-island regieter (including Alderney, which is within the Bailiwick). Top of the poll came not one of the establishment old guard but Conseiller Eric Waters, a modest but popular tanker driver.

There are now suggestions that the conseillers ahould be renamed senatora, a title used in neighbouring Jersey, and considered more dignified. But a radical proposal to eliminate the distinction between deputies and conseillers was recently turned down by tbe States. The comfortable and etill very prosperoue island is content to renew itself only very slowly.

Profile: Steve Butterworth, superintendent of insurance

The sector has flourished

Mr Steve Butterworth developed a keen interest in combating insurance fraud from the time he first began working in ineurance, writes Sue Stuart. This enthusiasm has undoubtedly been one of tha key elements of his succees as Guernsey' e superintendent of insurance in tha Financial Services Commission.

Since his appointment as the island's first euperintendent, responsible for regulating and developing Guernsey'a insurance industry, the sector has flourished and so has his reputation. Guernsey insurers express great respect for his subtle combination of strictness and flexibility.

"I reject about 12 applications a year to registar insurance companies," he says. And insurance managers in the island, who are well acquainted with his standards, reject far more than Mr Butterworth ever gets to see.

But he also devotes a coneiderable amount of time and energy to promoting the island as an insurance base, and in this rola he epeaks at international conferences and exhibitions. "Guernsey is very professional. There are a lot of underwriters here and I find it quite refreshing to work in a professional atmosphere," he says.

Mr Butterworth, who was born in Oldham, Lancashire and is still a proud shareholder of Oldham Athletic Football Club, set out to be a chartered accountant when he finisbed his education in the early 1960s. He was articled with an Oldham accountancy firm, whare he stayed 10 years. He then moved to the Henley motor distribution group in Manchester where he spent two years before accepting a position with Pannell Fitzpatrick accountants, in the Cayman Islands. It was the first time he and his family had been overseas.

Mr Butterworth enjoyed his time in Cayman and it introduced him to insurance. Two of tbe firm's clients had captive insurance companies, which formed a large part of his responsibilities.

He spent three years there before moving to the Seychelles, with a brief stint in the UK in between. in the Seychelles, he was financial director of an insurance group, which provided diverse activities. The group had a variety of bnsineases including an hotel, video rental, duty free shops and office rental.

During his five-year stay, the country underwent a coup and Mr Butterworth felt that the general atmosphere declined for expatriates, so the family returned to the UK for a few months. Then in 1982 he accspted an appointment as deputy superintendent of insurence in tbe Cayman Islands and they happily moved back to Cayman.

Cayman insurance law had only been implemented two years when Mr Butterworth joined the regulatory body, so it was a period of considerable change.

"The superintendent and I worked well as a team – he had underwriting expertise and I was a chartered accountant with insurance expertise. We began a process of cleaning up the industry."

Together they closed down a considerable number of insurance businesses that did not meet the required atandards of practice, and refused to license many more unsuiteble applicants. "The Cayman island government is extremely ouxious to be a good regulator and is generally fairly successful," he says.

In 1986 Mr Butterworth was appointed Guernsey's first superintendant of inaurance and has worked hard since then to improve and encourage this sector of the island's financial services. He feels that with the limited staff resources available in Guernsey, captive insurance and reinsurance are the most likely areas to continue growing. The expertise offered by the 312 insurera already registered in the island will attract more companies.

Profile: John Roper, FSC director-general

Planning his retirement

When Mr John Roper, director-general of Guernsey's Financial Services Commission, retires in two years' time he intends to stand for olection as a member of the island's parliament, writes Sue Stuart. He feels his chances of being elected are quite good and havo, ironically, been improved by the Barings crisis.

"I have become quite high profile over the Barings situation with local television and newspapers. In the island, people stopped me in the street to congratulate me – as if I had personally aaved the bank!"

In fact, the Barings collopse was a worrying time for Mr Roper because under Gusrnsey law a company cannot go into administration. Tberefore options were very limited for the Guernsey arm of Barings, although Mr Roper knew it waa potentially an attractive part of the bank.

Mr Roper wes appointed director-general of the FSC when it was set up in February 1988. But he had already been in Guernsey since June 1986 when he was seconded from the Bank of England to be Guernsey's commercial relations adviser with epecial responsibility for banking supervision. Thirty ysars of his working life have been epent with the Beak of England, which he joined in 1956 after obtaining hie degree at Gxford.

He gained experience in various areas of the Bank's work – economic intelligence, overseas operations, the chief cashier's office and secondment to the Monopolies and Mergers Commission – before joining the banking supervision section in 1977.

"By the time I left I was working on non-bank deposit takers. I had a much more intereeting time than those who looked after conventional banks. It was much better training as you see the things going wrong," he said.

But as he approached 53 years old be found his prospects were not particularly exciting. They involved a four-year wait for his deputy head of department to retire. "There seeaied to be e mania in the city to write off anyone over 5G and a move to hring in young men. We felt tolerated rather than appreciated."

Guernsey hed approacbed the Bank to try and borrow someone for the position and Mr Roper says the Bank was keen to help. He applied and was given the secondmeut.

Mr Roper feels one of his best achievements has been to raise Guernsey's profile. "We bave esteblished a reputation as a regulatory body people con do business with. Guernsey is no longer regarded as second-best to Jeraey – now business comes to Guernsey in preference to Jersey."

He is currently working on introduction of an amendment to the island's company law. He is also determined to see regulation of fiduciary services put in place before bis retirement. "We must do something about this fourtb sub-sector. Banking, insurance and investment are regulated, but the difficult area is truet and company formation."

Mr Roper intends to retire in time for the elections to the Stetes, the Guernsey parliament. He is already an elected Douzenier, which is the equtvalent of a UK parisb councillor.

"The chairman of the commisaion suggested I stand for election as a Douzenier. Local politics are eo non-party that he couldn't see any reason not to atand." Only about a per cent of the peopls turn out to vote and I had one opponent whom I beat 171 to 138 votes."

His parisb is St Peter Port, which includes the islend's charming capitel town and the Douzaine alts once a mooth to deal with very local matters. Mr Roper said this was a useful way into politics, adding: "You do not have a nice town unless somebody does this work."

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EMPLOYMENT

Financial services lead the way

*The finance sector is the biggest employer after the public sector; it pays well and offers attractive benefits packages which have knock-on effects on all sectors of employment, writes **Harriet Arnold***

Horace is going to be somebody. It isn't working in a bank he is going to be, and earning less than if he was working in the greenhouses." So says a character at the turn of the century in *The Book Of Ebenezer Le Page*, a novel suffused with Guernsey life over three generations. It just shows how times have changed.

Over the years, the resourceful Guernsey people have turned their hand to several sources of income: privateering in the eighteenth century, dessert grapes – the glasshouses are still known as "vineries" – in the nineteenth century, granite quarrying, horticulture, tourism and, latterly, financial and related services.

The finance sector in Guernsey is the biggest employer after the public sector; it also pays well and offers attractive benefits packages. This has knock-on effects on all sectors of employment.

Numbers working in financial services have risen from 3,986 in 1989 to 5,010 in 1994, approaching 20 per cent of the workforce; the finance sector is well placed to take the cream of school leavers. The financial institutions' hunger for staff, combined with the island's population control through the Housing Control Law and the Right To Work Law, has produced a "siphon effect" whereby Guernsey people are drawn up the skills ladder.

"Anyone seeking work in Guernsey is lucky, because of population control and the vibrant economy," says Mr George Sauvage, policy analyst at the Advisory and Finance Committee – the body responsible for co-ordinating the work of the States, public sector finances, economic policy and which through the Financial Services Committee has responsibility for the finance sector.

"The finance sector provides opportunities for people who would otherwise be in less important activities."

At the same time, says Mr Sauvage: "Economic growth is desirable – but without increasing the island's labour requirements."

About one-third of the workforce is employed in the exporting sector, the remainder working in local goods and services. Local goods and services offer employment for all outside the finance sector and provide balance and breadth in the employment opportunities, says Mr Sauvage. Unemployment is low – between 3 and 4 per cent – and employers in horticulture and, to some extent tourism, have had to import workers, mainly from Madeira. A measure of the integration of these so-called Portuguese workers into the economy to do lower-paid, low-skills jobs that local people do not want is that public telephone boxes have instructions in Portuguese as well as English, French and German.

Rapid growth in the financial services sector in the mid-1980s is unlikely to be repeated, not least because other states are looking at their fiscal policies with a view to growing their own finance industries, although an overall increase of 1,000 jobs in the five years to 1995 is expected.

There is some speculation as to how much further the finance sector could expand with a fixed workforce. Mr John Roper, director-general of the Financial Services Commission, says: "One cannot reasonably expect a significantly higher proportion of the workforce to go into financial services."

He believes expansion will come through increasing the number of institutions with a presence on the island "but not on the ground – by growing the number of banks or trust companies, for instance, that are administered [managed]". He points, too, to the potential of information technology and cites one institution that says it can operate with 60 per cent fewer staff than in Dublin thanks to "top-notch" IT.

The finance sector's dominance is not felt to be a problem as long as the sector remains diverse enough to withstand even severe setbacks. Guernsey people are resourceful and talented enough, says local opinion, that if one sub-sector fails they will simply move into another.

Mr Sauvage says that one theme emerging from current study of employment trends is the "need for the island to have more structured training programmes in all sectors." He is echoed by Mr Charles Tracy, chairman of the Guernsey International Business Association, which represents most leading companies in all the main sectors: "Growth will come from doing what we do efficiently – by using computer power and by employing better people."

Mr Tracy says that the latter will be achieved by overhauling training for finance workers and he welcomes moves to make training less fragmentary: "We've got to grow our own talent," he says.

Mr Richard Taylor, finance sector training adviser to the Financial Services Commission, agrees: "We've got to produce more of our own senior management." Mr Taylor is looking at development of a co-ordinated structure of qualifications and a way of delivering them.

The island may have near-full employment but it has realised that there are an estimated 3,000 to 4,000 women of working age who are not economically active. A number will be women with young families whose training and experience may be going to waste. The Advisory and Finance Committee, says Mr Sauvage, is "looking at how we might encourage flexible working arrangements and is looking at tax structures".

HORTICULTURE

Growers look on the bright side

*Despite the problems, many growers are positive about the future, writes **Harriet Arnold***

Aircraft passengers flying into Guernsey cannot fail to notice the sea of glasshouses, and be reminded that the island was famous for tomatoes and other produce.

Down on the ground, however, the story looks at first sight somewhat different. Some glasshouses are derelict while others are just shabby.

Yet the Committee for Horticulture, the States authority responsible for the sector, and many growers, are confident about the future of their businesses. Many have switched to cut flowers which held up well in the recession.

Horticultural land use was down to 623 acres in 1992 from more than 1,000 acres at the start of the 1980s when it was already in decline. The value of exports overall is down to below £30m from £34m in the same period. Heavy competition from the Netherlands reduced Guernsey's export of tomatoes to less than 6,000 tonnes, and growers have switched to cut flowers.

The island has reduced funding support to the industry, although it does provide a loan interest subsidy of up to 60 per cent. However, that has not been fully taken up, indicating a lack of confidence.

"We think we have seen a suggestion of the trend bottoming out in the past year," says Mr Richard Nash, deputy chief executive at the Committee for Horticulture. He says recession and high interest rates explain the lack of borrowing for investment by growers and takes heart that last year five acres of new glass went up, although he admits that this is a small project.

This year, Guernsey tomato growers will harvest Ferrari, a bright tomato with a longer shelf life and a better flavour. Mr Mike Brown, with three acres under glass, says he has seen a stabilisation in prices: "Last season was the best in the last three or four years."

Some growers, such as Bas Langlois, a capsicum grower, have invested in modern, high-technology glass.

"I think a blast of realism went through the industry," says Mr Nash of the decision by the States to end or cut support schemes to growers. "They realised their pound was going to have to work even harder."

He and his colleagues believe that the horticulture sector could be viable at 400 acres or even less, as the trend continues for more acres to be operated by fewer, more business-oriented, growers. This will stem from more efficient production and from better marketing. The area of glasshouses is expected to fall below 450 acres in 1996.

The industry has largely changed in the past 15 years to cut flowers: the main crops are roses, carnations and freesias, which it is hoped will bring increased flexibility and stability through diversity.

The traditional buyers of cut flowers – UK florists and greengrocers, for example – still dominate, but demand from the multiple retail market is expected to grow significantly, making the need for quality and presentation even more important.

Nigel and Jill Le Tissier have been growing spray carnations for five years, and have expanded steadily to more than six acres. After a fact-finding trip, they say: "We realised that if you want to be important you have to be a certain size." They do their own marketing: "We almost talk about marketing more than the cultivation," says Mr Le Tissier. They say Guernsey growers benefit from proximity to the UK because flowers suffer less in transit and because of better communications, speed and flexibility.

Mr Rodney Brouard, president of Guernsey Growers Association, which represents about 90 per cent of Guernsey's growers, says the sector is "a lot more professional than it used to be" and predicts a possible contraction to "250-300 hard-core professional growers".

"There is less glass," says Mr Brouard, "but it is a lot more modern" – and therefore more productive.

The industry suffers, according to Mr Nash, from "a sepia problem". "We are always seeing photographs of glasshouses from the old times," he says, but he believes the focus should be on modern glasshouses that are equipped with computer control of such elements of the process as heating, venting, feeding, watering and lighting.

This process of "expanding inwards" involves experimenting with production methods, such as low-level CO_2, soil temperature, or supplementary lighting. The growers also believe they can compete on quality.

Mr Rob Sebire, a rose grower who has just installed a new Combined Heat and Power unit, says it is important to experiment. For example, he no longer cuts the foliage on his flowers.

"I use it to grow the roses. My mother asked me what the heck I was doing."

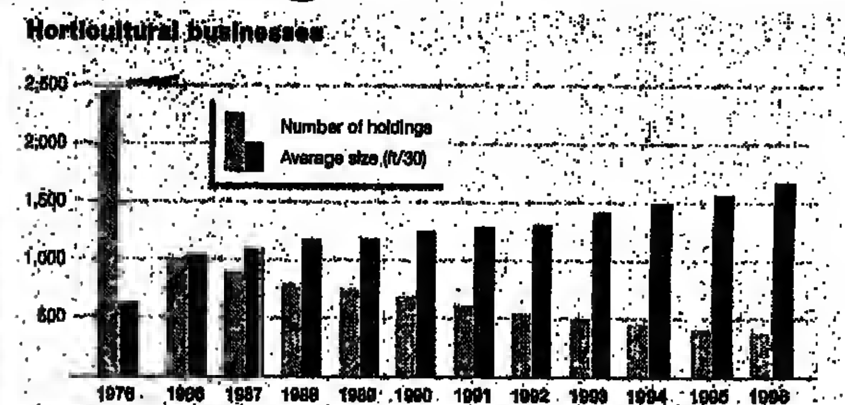
Mr Peter Le Page, a freesia grower, changed 13 years ago from tomatoes. He, too, is focusing on innovation in production, for example in heat treatment of bulbs, storage conditions and soil temperature control.

A £30,000 investment in refining methods for heating and cooling the soil, "may well have paid for itself in two years," he says.

"We are telling growers that they have to be more business-like," says Mr John Ogier, Horticultural Business Adviser at the Horticultural Advisory Service. "Production techniques must be geared to what the customer needs." But he adds: "I'm worried when someone says 'A computer runs my glasshouse'. Growing skills are still needed – and judgment on when to let the computer do things and when to take over."

Jill and Nigel Le Tissier have been growing spray carnations for five years *Picture: Tony Andrews*

Horticultural businesses



Source: 1994 Horticultural Business Review

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LIBERATION ANNIVERSARY

Prince to unveil memorial stone


Prince Charles is scheduled to unveil the monument at the height of the celebrations

Many veterans are being invited back next month to re-kindle triumphant scenes, and share memories of 50 years ago, writes ***Richard Digard***

At 7.30am on May 9, a special shadow will fall on Guernsey. It will mark the ending of the island's darkest hour and commemorate indelibly the day that occupying German forces surrendered to British troops.

It will also mark the 50th anniversary of that liberation, the single most important event in Guernsey's history, and one that, to this day, is still too painful for some of those who experienced the trauma of enemy rule to speak about it – or to forget.

For five years, from June 30 1940, when two *Luftwaffe* aircraft landed at Guernsey airport and reported that the island had, indeed, been demilitarised, until May 9 1945, the Channel Islands were the only part of the British Isles to be captured by Hitler's invading armies.

Some islanders escaped. In particular, they were the children who were evacuated to families in the UK, the women or the man who joined the armed forces.

But stay or leave, the result was the same: shattered lives and shattered families, the legacy of five missing years that can never be put aside or, in some cases, forgiven.

International artist Eric Snell, a Guernseyman, has been given the task of symbolising the horror – some islanders who remained in Guernsey were deported to their deaths in the Nazi camps – and, above all, the joy, when the period of enemy occupation came to an end.

His thanksgiving monument for the liberation, a 17ft obelisk of blue Guernsey granite fashioned on the prehistoric menhirs or standing stones that still loom in remote parts of the island, is being erected at Guernsey's main harbour, near the spot where British troops from the liberating Force 135 first marched ashore to a rapturous welcome by the half-starved remaining islanders.

Many of those veterans are being invited back next month to re-kindle the triumphant scenes, to share memories that are now half a century in the past and to witness the unveiling of the memorial stone.

The shadow that the obelisk casts – if David Le Conte, a former Nasa scientist and now local civil servant, and his three suitcases-full of computer and astrological calculations are correct – will count down a series of precisely-aligned granite plaques that chart the critical events of 50 years ago.

But the monument, which is scheduled to be unveiled by Prince Charles at the height of the island's 50th anniversary celebrations, has come to reflect the depth of feeling that still exists in the island about the occupation. Not because of the design, but because the proposed inscription was "mealy-mouthed" and "politically correct" in the words of Air Chief Marshal Sir Peter de Lacey Le Cheminant. Sir Peter is a Guernseyman who fought the Germans in Europe and who subsequently rose to become Deputy Commander-in-Chief, Allied Forces, Central Europe, from 1976 until 1979.

Latterly, he was the Queen's personal representative as Lieutenant-Governor and Commander-in-Chief of Guernsey, a post from which he retired in 1985.

What angered him, and many other islanders, was that the commemorating inscription made no reference to the nationality of the invader.

"The plain fact is that Guernsey was occupied by the forces of Nazi Germany and it can be no affront to the democratic Germany of today, nor to its citizens who come here as tourists, to record that historic truth," he says.

The weight of opinion, particularly among older islanders and ex-Service groups, has upset Deputy Pat Mellor, head of the States of Guernsey Liberation Day Committee, whose own father survived the occupation in Guernsey.

She has arranged an island-wide programme of events to act as a celebration of the 50th anniversary of liberation and not as a festival of remembrance.

Nevertheless, she agreed to amend the monument inscription to refer to "the German occupying forces".

"Public opinion said that islanders wanted to use the word 'German' and public opinion won the day," she says. "My main concern now is to look forward and help the island to commemorate the anniversary of the liberation and not the occupation itself," a view which strikes a chord with younger islanders.

A whole programme of events, including the hallowing of a peal of liberation bells hung specially in the island's main church, and a liberation day service that includes a freedom sermon from Lord Runcie, the former Archbishop of Canterbury, has been planned by her organising committee to appeal to the generations who experienced the episode and also to those who did not.

"If we only cater for those who were here during the occupation, then it will be forgotten in 18 to 20 years' time," says Mrs Mellor. "If we can make everyone accept Liberation Day as being special in a different sort of way, then we have a chance of making the celebrations last for succeeding generations."

Mr Herbert Winterflood, former chief reporter of the island's daily newspaper, was a young man when Force 135 arrived unannounced and unexpected.

"The vision of those chaps coming ashore has stayed with me all my life and that's celebration enough for me," he says. "Quite a new life dawned for people then, really."

Away from the politics of the event, thousands of islanders are preparing to celebrate a spectacular four-day "liberation weekend" of street parties, tea parties, church services, the Battle of Britain Memorial Flight and the Red Arrows and the biggest firework display seen in the island.

Others will be looking at the still prominent German fortresses dotted around the island's coast and remembering the slave workers who died building them.

Eric Snell, whose Spirit of Liberation monument seeks to bring together both views, has other concerns.

Was it correct to calculate the predicted shadow length to be generated by his freedom "time clock" obelisk from the centre of the sun or from its outer periphery?

And will the sun shine, anyway?

TRUST AND CORPORATE SERVICES

Fresh fiduciary regulation planned

The procedures for forming a Guernsey company are a deterrent to potential abusers, writes ***Sue Stuart***

Guernsey suffers far less than other offshore jurisdictions from abuse of its companies by criminals, and the attendant bad publicity that brings. The island's authorities have already gone considerably further than most to ensure Guernsey companies have little appeal for international fraudsters.

But Mr John Roper, director-general of the island's Financial Services Commission, says he intends to bring in further regulation of the fiduciary sector before he retires in two years time.

"It is a difficult area to regulate. It is difficult to define and difficult because of its confidentiality. When I call a working party to discuss this I find they all want to be licensed but do not want to be controlled," he said.

There is only one form of company in Guernsey – limited liability by shares – and no distinction between private and public companies. Companies fall into two types: resident or exempt.

A resident company pays 20 per cent income tax on its worldwide income and no taxes on capital gains. To be classed as a resident company it either trades in the island or is beneficially owned by an island resident.

An exempt company pays an annual exemption fee of £500 and no income tax, and may not trade or be beneficially owned in the island. Directors may be Guernsey residents and, if required, board meetings may be held in the island.

It is the actual formation of a Guernsey company that proves a deterrent to potential abusers, while providing comfort for legitimate users of offshore companies.

All Guernsey companies must be formed by a local advocate and consent for their formation is required from the FSC. The FSC requires disclosure of beneficial ownership of the company, for the commission's eyes only, and will refuse applications if it is not happy with the information supplied.

Mr Kevin Bown, senior analyst at the FSC, keeps updated records of potentially problematic company owners and carefully analyses any application.

Mr Peter Harwood, an advocate and partner in law firm Ozanne van Leuven Perrot & Evans, said: "To form a company, advocates must get consent from the Crown officers, to whom advocates are answerable, and from the FSC. The FSC has fairly firm vetting on applications and you cannot have shelf companies here."

He said Guernsey was not the cheapest jurisdiction – at about £500-£800 plus tax or exempt fee for a company – but he felt it would be a mistake to compete with other jurisdictions on cost. It would leave the island open to abuse.

Mr Charles Parkinson, a partner in Pannell Kerr Forster, said: "I believe regulation of fiduciaries will be good for our industry. If it is done properly it will add credibility."

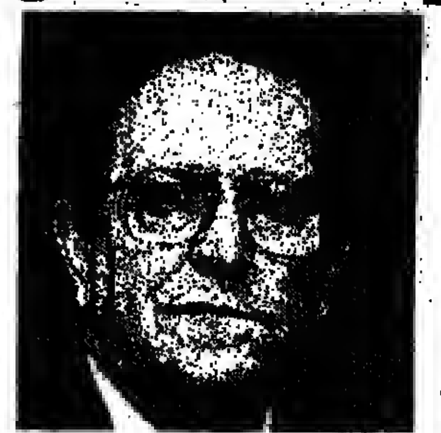
He said the island was generally careful to ensure its companies were blue chip products. But some fiduciaries trading in Guernsey do not use local companies, mostly British Virgin Islands or Panamanian companies.

One area of business for Pannell Kerr Forster is structuring and administering international estates for wealthy individuals. Ensuring from the outset that assets are legally held in suitable jurisdictions, through companies and trusts, can avoid complex problems when the owner dies.

"Many wealthy people now have property all over the world. This is the first generation that is having to counter the problems of international estates," said Mr Parkinson.

He says a lot of trust business comes to the island from European civil law jurisdictions, relating to succession problems. Under law if a person puts assets into a trust he no longer owns those assets: they are the property of the trustees to distribute according to the wishes stated in the trust.

Asset protection trusts – APTs – are seldom used in Guernsey although they are particularly popular with American professionals who wish to divest themselves of their assets to protect them from potential creditors in America's litigious society.


Roper: intends to bring in further regulation

"APTs are not big news here. The FSC felt there is a slight tackiness to them and is not terribly keen on them, so they tend to sit at the back of the shelf and are ignored," says Mr Parkinson.

Mr Harwood said that Guernsey trust law, dated 1989, covered the whole spectrum from private family trusts to pension funds. "The main type in Guernsey is still the private discretionary trust. We have clients from every part of the world including some areas of Europe, although a lot of Europeans do not understand trusts."

The neighbouring island of Alderney is regulated by Guernsey's authorities and has a small nucleus of fiduciaries, including two advocates. At the beginning of this year, Alderney instituted completely revamped company legislation to cater for all modern requirements – stealing a march on Guernsey which is currently working on new comprehensive company law.

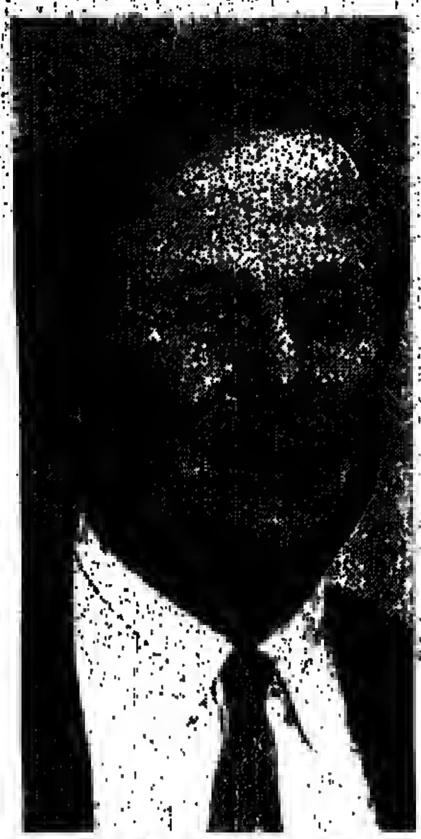
Alderney's legislation provides a greater range of options, including provision for companies limited by guarantee, purchase of own shares, amalgamations, issue of fractional shares and a variety of other elements.

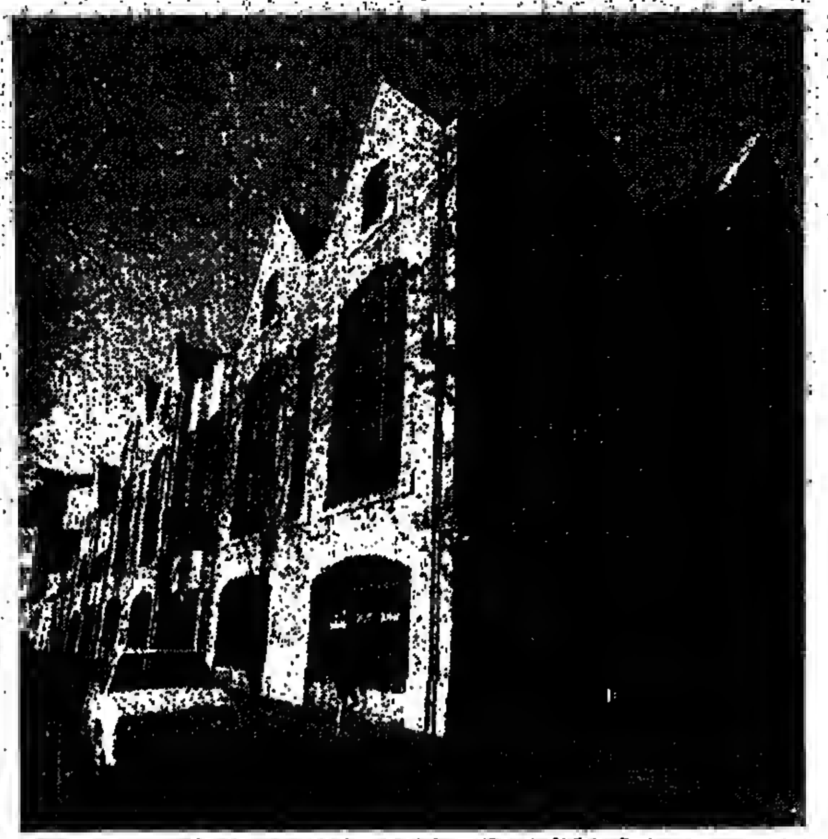
Guernsey's FSC will still require details of beneficial ownership of proposed Alderney companies before sanctioning them.

■ INTERNATIONAL BANKING

A quiet phase of consolidation

*Deposits still grew by a healthy 13 per cent last year, but this represented a marked slowdown after the extraordinary expansion in 1992 and 1993, writes **Barry Riley***


Peter Crook: 'Big banks are doing well'


Swiss banks have traditionally prospered: Credit Suisse offices in St Peter Port *Picture: Tony Andrews*

A statue of Othon de Grandson, a Swiss crusader and adventurer who was made governor for life of Guernsey in 1277 by King Edward I, stands guard outside the £10m offices of Credit Suisse in St Peter Port.

Although Othon only visited the island once, in 1323, his modern compatriots seem likely to stay around for a lot longer. Altogether nine Swiss banks are represented in Guernsey, along with banks from Germany, Canada, the Netherlands and a dozen other countries.

Once very much an offshore UK centre, Guernsey has been able to plug itself into a much wider, indeed global, offshore network. Yet the headlong expansion which was a feature of much of the 1980s has been replaced, since 1993, by a quieter phase of consolidation.

Not all attempts at geographical diversification have been successful. The Japanese bank Sakura came and went, and Japan is now represented only indirectly through Guinness Mahon, which is owned by Bank of Yokohama.

Moreover the weekend collapse of Barings Bank late in February provided an unwelcome test for the island's legal and regulatory structure. On the Monday morning, the Guernsey Financial Services Commission had to field a hundred telephone calls from anxious depositors. After an uncomfortable week the system survived with minimal damage, but some evident gaps may need to be plugged.

The total number of banking institutions registered in Guernsey has dipped to 72, after peaking at 76 in late 1992. Deposits still grew by a healthy 13 per cent last year, but this represented a marked slowdown after the extraordinary expansion of 69 per cent in 1992 and 37 per cent in 1993.

Banking industry profits (excluding the clearing banks) soared 29 per cent in 1993 to £227m. There has been some concern that profits will turn out to have subsided in 1994 when the figures become available, but the latest indications are more encouraging and the picture may be broadly static.

Guernsey's banks mostly focus upon so-called private banking, a comprehensive service of asset management and financial planning advice offered to wealthy clients.

Swiss banks have traditionally prospered in this kind of business, and they seem to like Guernsey, with its freedom from withholding taxes and its offshore trust legislation. Mr Bryan Morris, a member of the senior management at Credit Suisse in Guernsey, lists the island's main advantages as being that it is in a convenient time zone for CS clients; that its language is English; and that it is close to a major financial centre, London.

Its reputation is good, too. "We are very happy with Guernsey," says Mr Colin Grant, chief executive of Bank Julius Baer. "The policy mix has been just right."

In the past year's generally troubled financial markets, competition has intensified. "The big banks are doing well but the smaller banks are finding life more difficult," says Mr Peter Crook, superintendent of banking at the GFSC.

In any case, Guernsey is no longer interested in expansion for its own sake. Resources are limited, especially local labour, although pressure on the labour market is only moderate at the moment.

That is why Guernsey has been keen for some years on the concept of managed or "administered" banks, the books of which are kept by other institutions but which have no separate offices. Thus, of the 72 registered banks, only 54 have a physical presence. This has, in effect, been an extension of the principle already applying to captive insurance companies and to offshore funds, which are generally run by specialist administrators.

By such methods Guernsey has been able to give the impression of being more open to new entrants than Jersey, its bigger neighbour. It has also been less ruthless than Jersey in setting profit targets and imposing controls on office space and staff numbers. "If good banks come we will find ways of getting them in," says Mr Crook. "But we have got to focus on the business of high net worth individuals. We can't handle high volumes."

One sector still growing is offshore building societies, of which Guernsey has seven (including the Portman in Alderney). These gather deposits from a variety of sources, including UK expatriates around the globe.

Bristol & West International, for instance, increased its deposit base by 40 per cent during 1994 to £850m. Mr Christopher Bradshaw, its chief executive, emphasises that it is a very lean operation compared with, say, a full service private bank, and runs on fewer than 20 staff. "We can demonstrate to the regulators that we earn our keep over here," he says.

Expatriates are generally better-paid than UK residents, and they save more assiduously. The average B & W deposit in Guernsey runs to £80,000. The Barings collapse has raised once again, however, the tricky question of deposit insurance. There are no schemes in Guernsey or Jersey, but the UK has deposit protection and so does the Isle of Man.

Guernsey has always argued, however, that the UK's low-level schemes – applying only up to £20,000, and then, for banks, with only 75 per cent cover – would have little relevance for a banking system with an average personal deposit several times that size.

Some argue that a UK-type scheme would at least improve the image of the island in an increasingly risk-averse world. Mr Crook admits that the Barings scare has made the whole issue topical again, but he would prefer a different approach, of limiting lending exposures – including to parent banks – which in effect would restrict losses to a maximum possible 25 per cent.

Meanwhile the Barings collapse has caused the island's regulators to look again at insolvency law. Guernsey's regulators did not have the option of putting the local Barings subsidiaries into administration, as happened in the UK. If they had been put into liquidation the process could not have been halted when a rescue bid for the parent came along, as it did a week later.

At any rate, Guernsey has welcomed Barings' buyer, ING, with open arms. Apart from anything else, it gives the island a hat trick of top Dutch banks, along with ABN-Amro (through the MeesPeirson subsidiary) and Rabobank.

But at the beginning of March ING also helped to resolve a potentially tricky insolvency situation as Baring Brothers (Guernsey) teetered in a legal no man's land.

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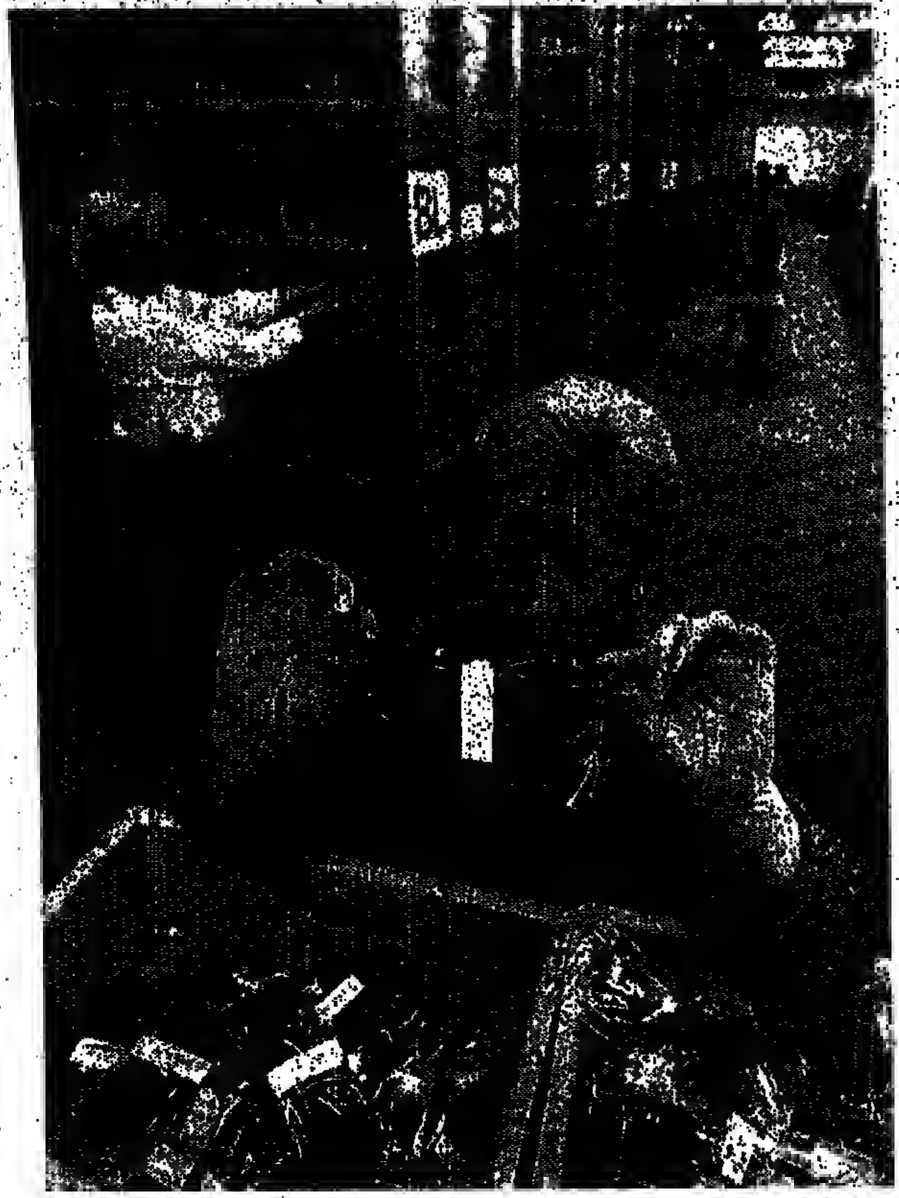
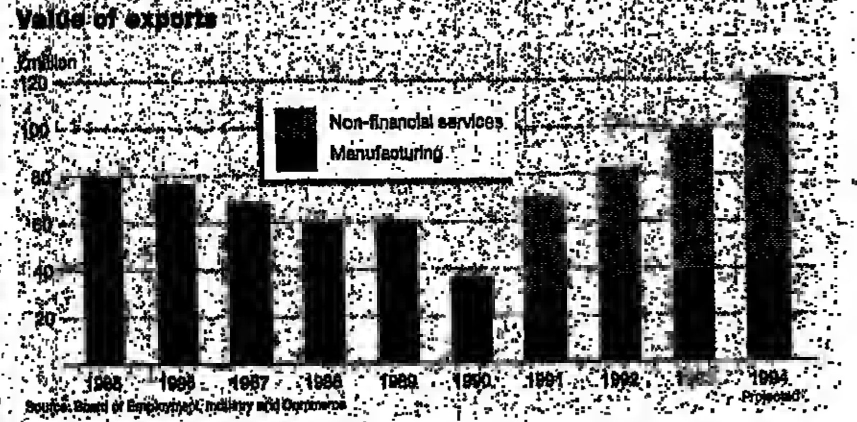

Specsavers Optical Group employs nearly 300 staff on Guernsey   Picture: Tony Andrews



■ INDUSTRY

A haven for manufacturers

The sector has staged a comeback, due partly to the growth of the non-financial services sector, reports ***Harriet Arnold***

Guernsey and manufacturing are two concepts that do not immediately seem to belong together. However, the island has a small light manufacturing sector that in the past 15 years has grown, faded and then staged a comeback due partly to the growth of the non-financial service sector.

With constraints on land and labour, and the high cost of freight, the Guernsey industrialist best-placed for success is producing high added-value goods that require minimum additional labour and with a low environmental cost – whether as a boat builder making luxury craft for export or a software house that has grown up with the finance sector and become an exporter.

Mr Nigel Lewis, chief executive of the States Board of Employment, Industry and Commerce, says Guernsey should encourage ventures that are "clean, don't bring in loads of heavy materials and which add to the number of companies [outside the finance sector] employing specialists". They would be likely to to run their sales and distribution, for instance, from Guernsey, while manufacturing is done outside.

William Grant and Sons, the scotch whisky distiller, handles the management and administration of all new business developments from Guernsey. "Having bought a small manufacturing operation here [Channel Island Cream Liqueurs] we discovered the benefits of operating from Guernsey which were previously unknown to us," says the company.

Mr Lewis prizes ventures with high added-value products that will bring export earnings or reduce the island's imports burden, whose staffing needs match local availability, and which contribute to the freight network – as well as making significant tax contributions. These benefits must be balanced against demands on space, housing and the environment.

Manufacturers themselves are attracted by the tax regime; the stable government and ease of access to decision-makers; the lifestyle for company principals; availability of specialists and skilled workers; the light legislative burden; and absence of industrial relations problems.

However, they complain about administration problems arising from the island's special relationship with the European Union (such as zero-rated VAT), the housing and work restrictions, the cost of power and freight, and the lack of local training facilities for specialists.

The light manufacturing sector took a knock in 1989 when US electronics giant Tektronix moved out. However, it left a valuable legacy of skilled people and its old manufacturing site.

The Tektronix premises have just been refurbished to house the headquarters of Specsavers Optical Group, the optician retail franchise group.

Ten years ago Doug and Mary Perkins came to Guernsey in semi-retirement, when they realised that deregulation of the UK optician market offered potential for a new venture. Now they head an organisation with 20 per cent of the UK market, and expect to reach 25 per cent soon.

Specsavers Optical Group also plans to move into Europe. It employs nearly 300 staff on Guernsey and the 1994 turnover for the Guernsey operation was £25m. The whole group, including the opticians' practices, turned over £150m in 1994.

About 300 Specsavers stores are serviced from Guernsey. "We don't trade in the UK – we provide management services for an agreed fee," explains Mr Perkins. "With our central management structure we can encourage opticians to just do 'opticianing'," he says, while Specsavers Optical Group takes on the distribution, administration, marketing, financial and product planning in Guernsey.

Distance does not prevent the liaison being "very much hands-on", says Mr Perkins, thanks partly to investment in technology – £3m last year.

The Tektronix legacy to Polar Instruments, producer of a range of fault-finding instruments, such as oscilloscopes, was a pool of electronics skills.

Polar already existed as a sideline for Doug Campbell, now Polar's marketing director, who took the opportunity to expand when Tektronix left. "The core of the company is design and development," says Martyn Mann, the managing director, Manufacturing is done by another Guernsey company, Offshore Electronics. The two companies "earn by collaboration," says Mr Mann: "Guernsey people are very co-operative as well as adaptable."

Polar now plans to expand by moving into the controlled impedance testing market.

"When people visit us here on Guernsey they are surprised at how small we are," says Mr Mann, "but the market is seeking a standard that we can provide."

Detalink International has developed from a bureau service run out of a tomato business's spare computing capacity to a software house that has expanded alongside the finance sector.

Detalink produces computing systems for offshore banking and finance, and has just launched Vigil, a timely derivatives management system.

"The demand for technical innovation is very high," says Mr Stephen Taylor, sales and marketing director. In Guernsey, "financial companies want to grow their business and must do it by automating the processes."

Detalink has responded to limits on staff numbers by acquiring a competitor, US company IBT, with offices in Miami and London. IBT staff's technical abilities complement Datelink's.

"We manage and specify here, and manufacture elsewhere," says Mr Taylor. Any need for specialist input can be satisfied, he says, by hiring people into one of the on-shore offices.

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■ FUND MANAGEMENT

Learning from the Barings crisis

The upset came just as the island's regulators were preparing for this month's routine inspection, reports ***Barry Riley***

Ironically, the Barings crisis appears to have affected the fund management sector in Guernsey more than banking itself. This is because the Barings subsidiary Guernsey International Fund Management was the biggest local administrator of investment funds (although, confusingly, Barings' own offshore funds are registered in Dublin).

While GIFM itself was never insolvent, it became tangled up with its parent's bankruptcy because of the freezing of its deposits. Clients such as Schroders found their dealings had to be temporarily suspended.

Barings quickly lost the custody of important client funds including those of Old Mutual. It has also lost – at least temporarily – the prestige job of acting as custodian for the Guernsey States' £40m-plus Contingency Fund.

Custody can be moved more easily than fund administration. Even so, there is thought to be plenty of marketing activity as predators circle around the clients of the troubled Barings group.

It has to be emphasised, however, that investors have not lost any money, although they may have suffered some temporary inconvenience and anxiety. Barings in Guernsey was immediately owned by Baring Asset Management rather than Barings Bank itself.

The structures for ring-fencing assets appear to have worked, except to the extent that liquidity within the funds was committed to Barings Bank in London. The funds affected were faced with a tricky decision on how to value the frozen deposits. Apparently none of the funds was dealt in during the week in question, although some were ready to trade if instructed.

The upset came just as the island's regulators were preparing for this month's routine inspection under Section 87 of the UK's Financial Services Act by two officials from the Treasury. This is to assess Guernsey's performance as a so-called Designated Territory, a status it has held since 1988. The Treasury men have already visited Bermuda and the Isle of Man, and will be going on to Jersey.

Funds from designated territories may be marketed without restrictions in the UK. In practice, only Guernsey's "A" schemes qualify for unrestricted sale on the mainland; "B" funds are also regulated, but to a rather lower level of investor protection.

The inspectors will be looking to see how the rules have been enforced, but the visit is also regarded as offering an opportunity for discussion about how Guernsey's rules can be brought up to date while remaining acceptable to the mainland.


Peter Hart: 'Guernsey is fairly busy'

Since 1988, the UK's unit trust rules have been somewhat relaxed, for instance in terms of permitted investment markets, and in the use of derivatives for what is described as "efficient portfolio management". Moreover, there are negotiations going on for the introduction of open-ended investment companies which will be valued according to a less complicated single pricing formula.

Thus it may be possible for the rules for Guernsey's A and B schemes to be moved closer together, while still preserving the Section 87 principle that Class A funds must offer similar protection to that applying to UK collective funds.

Immediate moves are unlikely, however. "It may be sensible for us to wait for the publication of the open-ended investment company rules in the UK," says Mr Chris Le Marchant, assistant superintendent of investment business at the Guernsey Financial Services Commission.

Meanwhile there is bound to be discussion of investment fund custody in the wake of the Barings incident. In the UK, custody (by trustees) has to be kept separate from unit trust management but in Guernsey the two functions can be exercised within the same group (although not when one company is a subsidiary of the other).

Compulsory separation might be a knee-jerk response, but it would not have helped in the Barings case. Rather, a more sophisticated control is required of the riskiness of custodian banks.

Recent statistics show that funds are continuing to be established in Guernsey but the weak securities market conditions of 1994 took their toll. During the year, the total number of schemes rose by 10 per cent to 308, of which 201 were open-ended and 107 closed-ended. But the aggregate value of the funds dipped by 5 per cent to £11.6m. Guernsey remains rather smaller in this business than Jersey, where funds total £22bn, although they fell in value by a similar proportion in 1994.

Mr Peter Hart, managing director of Lazard Fund Managers and new chairman of the Guernsey Fund Managers' Association, says that Guernsey is "fairly busy". It is focused on attracting business that does not need to be sold to the general public in Europe – business that these days is channelled through Luxembourg or Dublin.

The emphasis for new business development is very much on institutional funds. "We don't want the high volume, low value business," Mr Hart emphasises.

Extra opportunities from this summer onwards could be provided by new legislation permitting limited partnerships. This has been passed by the States, and rules are being drawn up by the GFSC. This legal structure could be especially attractive for venture capital and property funds, says Mr Hart. By last month, according to the GFSC, the number of funds had edged ahead to 312. The emphasis has been on country funds – for anywhere from India to Slovenia – and specialist venture capital pools. The retail fund scene, however, is quiet.

■ HOUSING AND POPULATION CONTROLS

Levels are closely monitored

About 2,000 properties are registered on the open market, a figure that has changed little over the years, says ***Sue Stuart***

With limited land resources and a strong desire to retain countryside and coastal areas for enjoyment by residents and visitors, Guernsey's government has to closely monitor population and housing levels. About 60,000 people live in the island's 24 square miles.

Guernsey first introduced housing laws in 1948 to ensure that local people returning to the island after the war were able to obtain homes. Housing laws are presently linked, in some circumstances, to a right-to-work law as a means of controlling the numbers of new residents while protecting the indigenous population.

The island operates a two-tier housing market – open market and local market. About 2,000 properties are registered on the open market, a figure that has changed little over the years.

Anyone may purchase a home in the open market, but they are expensive. Lovells, a leading island estate agent, offers a modern four-bedroom semi-detached house at £290,000; a detached four-bedroom stone cottage at £425,000; a five-bedroom town house at £750,000; and a four-bedroom substantial family house set in 16 acres at £1.8m.

This is only a small sample of available properties. The most expensive home currently offered by Lovells in the open market is priced at £1.9m and the least expensive is £200,000.

A housing licence is needed from the housing authority to occupy a home in the cheaper local market. Licences are granted to those considered essential to the well-being of the island, either in the private or public sector. If a position cannot be adequately filled from among local residents, then a housing licence will be granted for a specific period, from nine months to 15 years.

Anyone wishing to take up employment has to be able to produce a housing licence. Providing that all legal requirements are satisfied, a right-to-work document will be granted. Contravention of the right-to-work law is punishable, for both employer and employee, by a fine or imprisonment.

Guernsey's population has increased steadily over the past 30 years – from 51,500 in 1971, 58,500 in 1981 and 59,000 in 1991. The largest surge was during the late 1980s.

The States, the island's government, has published the following policy objectives on population:

- Growth should be limited to as low a level as possible;
- Main control measures should continue to be the housing control and right-to-work laws;
- Where possible, jobs should be filled by local residents. The vast majority employed from overseas should be on short-term housing licences;
- The housing authority may be more liberal in granting essential housing licences to those in the hotel and restaurant sectors; and
- The private sector should be encouraged to use new technology and to provide training for the resident population.

The States acknowledges that attempts to impose an absolute ceiling on population would carry the risk of endangering human rights. In its projections, the States calculates an increase of about 350 people a year, bringing the population up to 64,000 by the year 2021.

Members of the States agree there is a need for continued controls on residency because, without such controls, unlimited numbers of people who did not have to rely on an income from employment could settle in the island.

However, some members argue that the control laws are either not being applied or are incapable of being applied in a manner that ensures adequate control of employment.

Guernsey's government is also aware of the need to provide more homes for local residents and has resolved that the main part of new development shall take place in the urban area.

A 15-year plan was evolved in 1992 and includes provision for the release of sufficient land, if needed, to build 180 homes in the urban area and 100 homes in rural areas every year.

The average price of local market homes has stayed fairly static over the past five years at about £94,000.

First-time buyers with residential qualifications are eligible for a States loan for the purchase or construction of a home, but only about 80 loans are granted each year.

The maximum loan is £84,000 and is usually paid at the time of purchase.

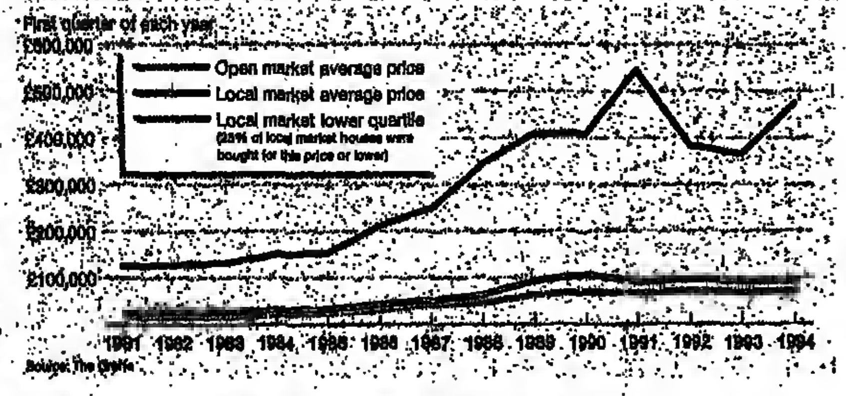
Mortgages are also available locally from the main clearing banks and the Bristol & West building society.

The neighbouring island of Alderney, with a population of about 2,000, does not have housing controls. Anyone is free to purchase property in the island but there is not great availability and prices are high, although not as high as those on Guernsey's open market.

The island does operate a work permit system, but this is generally fairly flexible because there are few job vacancies in the island's small community.

The even the smaller island of Sark, where there are no motor vehicles apart from tractors, has no restrictions on property purchase. However, houses are expensive and extremely scarce.

House prices



Source: The Gryffe

■ CAPTIVE AND INTERNATIONAL LIFE INSURANCE

The third most popular domicile in the world

Last year, premium income increased to more than £1b and assets jumped to £3.5bn from £1.9bn in 1993, writes ***Sue Stuart***

There are more captive insurance companies in Guernsey than in any other domicile on the European side of the Atlantic. With about 280 captives, the island ranks as the third most popular domicile in the world, after Bermuda and Cayman.

The island is also home to a small but vibrant life assurance sector and altogether has 312 registered insurers. Last year, premium income increased to more than £1bn and assets jumped to £3.5bn from £1.9bn in 1993.

A captive insurance company is a wholly-owned subsidiary that insures some or all of its parent's risks. Some are set up and staffed by the parent, but most are run by managers who look after and administer a stable of captives.

Of the 35 new captives formed in the island last year, 28 had UK parents. Ten of them were for banks and building societies and six for professional indemnity (PI) insurance for professional partnerships. Companies are able to cover risks through a captive that may not be insurable in the market. They also benefit from greatly-enhanced risk management.

Mr Steve Butterworth, the island's insurance superintendent, said: "Guernsey's main market for captives is the UK. It does not appear to have reached saturation point and some companies are setting up two or three captives for different parts of their business."

"We are seeing a lot of interest from France, Holland, Belgium and Scandinavia but none so far from Germany, Spain or Portugal. There is also some interest from eastern European countries, but we monitor that very closely." He forecasts that the captives growth area will be in employee benefits such as pensions, key personnel insurance and health care.

One of the island's newest captive managers is Marsh & McLennan which set up one year ago and already manages four companies. These captives came through Bowrings in the UK, which is part of the Marsh & McLennan group.

Mr John Copeland, general manager of the company in Guernsey, said: "There is a question of how many captives the UK can produce and has it reached saturation point? I believe the answer is no. There always seems to be a new group and many are driven by the commercial market.

"There is definitely still a market in the UK, but we are also looking to Europe and beyond although I think most European Union captives will go to Luxembourg and Dublin – there is usually a fiscal reason why European captives do not come to Guernsey."

The island is planning to introduce legislation to ease the migration of captives to Guernsey from their current domiciles. They would be able to make the change without first having to go through a costly *solvent liquidation.* This has been recommended by the Guernsey Insurance Companies Managers Association.

Mr Granville de Crus, former chairman of the association and a director of Sedgwick Management, said: "When Guernsey enacted new insurance law in 1986, the island already had around 50 captives. In its development since [then] it has outstripped other domiciles."

He believes that European parented captives may go to Luxembourg or Dublin. "But Guernsey should not be despondent. Maybe as managers we have focused too much on the UK and we may well find European captives come here. European companies are beginning to move into captives." Sedgwick manages 25 captives in the island, including those parented by Geest, SWEB, GEC, and BP as well as other UK water and electricity companies. Mr de Crus also sees growth in captives for professional firms.

Guernsey does not have many large life assurance companies, mainly because the island lacks the resources for this labour-intensive sector. But those based in the island feel it suits them well.

Mr Richard Digard, marketing manager of Sun Alliance International Life, said his company had reduced the staff strain by spreading its administration around its regional offices. There are 55 staff in the head office in Guernsey and the rest of the work is handled in Hong Kong, Mauritius and Cyprus.

"Guernsey suits us as a base. It is small and we have access to the authorities and politician; the people who are in a position to try and help."

For Generali Worldwide the staffing problem is less acute because the bulk of its life work is corporate, particularly *employee benefits such as pensions.* Mr Mel Carvill, managing director, said 60 per cent of the company's business was for multinational corporations. "Corporate insurance is not so labour-intensive."

Generali has clients with employees around the world. It writes business in nine currencies and transacts business in 23 currencies.

"Guernsey has a very good, flexible regulatory regime. Because we are dealing with companies of a size and mentality of governments, it is essential Guernsey is seen to be whiter than white," said Mr Carvill.

Guernsey's financial district in St Peter Port

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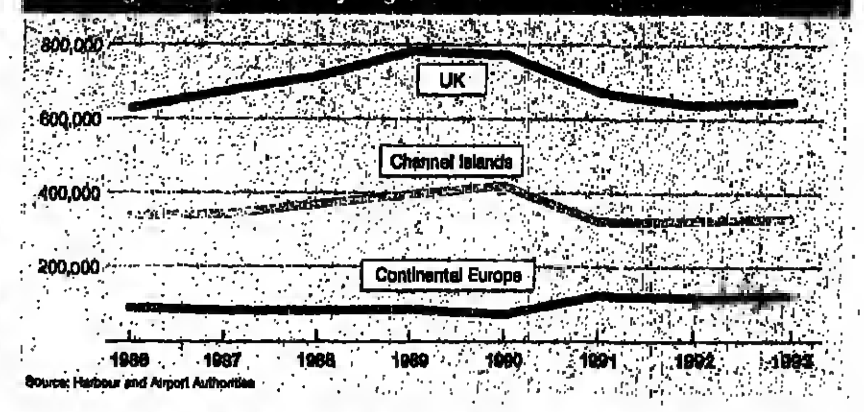
■ COMMUNICATIONS

Vital links for business continuity

Guernsey is one of the few countries in the world to be completely digital, a target achieved by GT at the end of 1992, writes ***Sue Stuart***



Good communications are vital to the continuity of Guernsey's business life. Access to the island, both physically and electronically, is generally of good standard and constantly subject to upgrading.

The island is served throughout the year largely by three airlines, Jersey European, AirUK and island-hopping Aurigny. From April to October there are sea crossings between Weymouth and Guernsey and the other islands.

Jersey European and AirUK provide daily flights between them to Belfast, Birmingham, Bristol, Exeter, Manchester, Jersey, Southampton, Gatwick and Heathrow.

For a day's business in London there is a flight from Guernsey to Heathrow at 0700 with a return at 19.35, or to Gatwick at 07.10 with a return at 19.35. There is also a daily jet service departing from Gatwick at 12.45 and returning from Guernsey at 14.50.

Most people in the island's business sector are disappointed that there is no early-morning jet service to Heathrow; the aircraft used are F27 turbo-props. Mr John Copeland of Marsh & McLennan said: "People would love a comfortable jet service to the UK, the planes used are certainly not comfortable."

This sentiment is echoed by Mr Granville de Crus, of Sedgwick, who has to travel from the island on a weekly basis. He reports pressure from the business community on local politicians to encourage the airlines to upgrade their equipment. "Our clients use the air connections. We have one to Zurich but we need connections to France and Brussels. It is extremely tiring to have to take a series of short hops."

Conseiller Laurie Morgan, a leading politician, said: "Everyone agrees we would like a 146 jet every morning, but it would be more expensive. The Guernsey government's only role is to encourage the airlines to change – we will not subsidise them."

Flying time from the island to London is not much different between jets and turbo-props, according to Mr Ian Taylor, general manager in the Channel Islands for Jersey European. "There is a mid-day jet service, but this is probably not the best time for business flights. It is very important to islands to have frequency and variety of service and there are negligible problems of reliability with F27s. However, like all operators, we are looking to improve our equipment."

There are no complaints, however, about the standard of telecommunications in the island. Guernsey Telecoms recently celebrated installation of its 40,000th exchange line, making the island third in the world in terms of lines per head of population. GT also serves Alderney, Sark and Herm and has full STD links with the UK and direct dialling access to more than 200 countries.

There are three submarine cables linking the Channel Islands to the UK and back-up microwave links through the Isle of Wight and France.

Following a disaster for the islands when submarine cables, then placed close together, were cut by a ship, a complete loop of digital optical fibre cables has been laid. It runs from Dartmouth to Guernsey to Jersey to Cornwall, where it links up with Goonhilly Earth Station. If any point should fail, the islands still retain communication.

These cables are jointly owned by Guernsey Telecoms, Jersey Telecoms and British Telecom.

Mr Alan Collenette, marketing manager of GT, said: "With fibre optics, all kinds of information can be transmitted. One television company already uses our cable and we are trying to persuade others to rent space in it. There is also a big demand from the finance sector for accessing data."

Guernsey is one of the few countries in the world to be completely digital, which GT achieved at the end of 1992. "This includes provision of System X exchanges, digital microwave radio systems to the small neighbouring islands and a complete network of digital optical fibre cables linking all exchange sites and the trunk repeater station."

However, GT encountered opposition in Sark when they changed the tiny island to System X. Sark residents were used to a manual exchange sited in someone's living room. The operator was usually able to tell callers if the person sought was at home, had popped to the shop or gone to a neighbouring island – a service much valued by the islanders.

Now, most people in Sark and Alderney would find it hard to manage without their direct-dialling facilities, fax machines and modems.

Guernsey Telecoms is completely independent of BT and is a trading board of the island's government. GT prides itself on having retained a tradition of low charges. The connection charge is £56; rental for business or domestic lines is £7.50 a quarter and the unit call charge is 3.7p.

Mr Collenette said that this year GT will be installing its own GSM mobile telephone network for the island. "We believe this is the right system for us because a caller can also use it in the UK, continental Europe and further afield. It is something people in the business sector want – they are often travelling."

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FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday April 12 1995

IN BRIEF

Michelin reports sharp recovery

Michelin, the world's largest tyre manufacturer, demonstrated the strength of its recovery, announcing net profits of FFr1.29bn ($263.9m) last year compared with a loss of FFr3.67bn in 1993. Page 18

Pacific Dunlop may sell food interests
Pacific Dunlop, the Australian conglomerate that has seen its shares battered by litigation threats at its US heart pacemaker unit, has announced a operational and management reorganisation that may involve the sale of its food interests. Page 21

CE Heath to merge with CIC Insurance
C. E. Heath International, the Australian general insurer, plans to merge its operations with those of the CIC Insurance Group, another Australian insurer operation ultimately controlled by Winterthur Swiss Insurance Company. Page 21

Marubeni writes off Y45bn for closed units
Marubeni, one of Japan's biggest trading companies, said it would write off Y45bn ($542m) in the year to March because of extraordinary losses stemming from liquidation of overseas and domestic subsidiaries, and declines in the value of its property and securities holdings. Page 21

ABN Amro lifts stake in HG Asia
ABN Amro, the big Dutch bank, acquired an additional 35 per cent stake in HG Asia Group, a leading Asian stockbroker, taking its total holding to 55 per cent. Page 18

Vendex soars 56% ahead of flotation
Vendex International, the family-owned Dutch retail and business services group, reported a 56 per cent rise in 1994-95 net profit, just two months ahead of its expected partial flotation on the Amsterdam Stock Exchange. Page 18

Strong gains at US paper groups
The US paper industry can look forward to a good year if the trend of first-quarter earnings figures continues. International Paper, Weyerhaeuser and Champion International all showed sharp profit gains. Page 19

Brazilian airline returns to profit
Transbrasil, Brazil's second largest airline, returned to profit last year for the first time since 1986. Profits after tax for the year ending December 31 1994 were R$38.9m (US$43.7m). Page 19

SA bank buys Swaziland side of Meridien
First National Bank, the South African banking group, is to acquire the Swaziland operations of Meridien BIAO, the troubled independent banking group. Page 20

AHH expects £14m cost savings
AAH, the pharmaceuticals wholesaler and retailer, said the rationalisation programmes of its core healthcare businesses would result in cost savings "of at least £14m [$22.4m] from 1996-97". Page 24

UK retailer focuses on Hungary
Tesco, the UK grocery retailer, plans to open 20 supermarkets in Hungary over the next five years, making it the first large UK retailer to open stores in eastern Europe. Page 24

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Altana	674.5	+	17
BMW	709	+	11.5
Henkel	555	+	11
Ind Werke	302	+	13.5
Preussag	413	+	13
Falls			
Lahmeyer	540	−	13
NEW YORK ($)			
Rises			
Intel	90¾	+	2¾
Kemper	46	+	4¾
Microsoft	71⅛	+	⅜
Falls			
CBS	63⅞	−	2⅛
Int Paper	75⅜	−	⅜
Texas Ins	93⅞	−	⅜
LONDON (Pence)			
Rises			
Bodycote	333	+	12
Caplin Grp	149	+	9
Laporte	708	+	15
Yule Catto	270	+	19
Falls			
BICC	312	−	17
Eurotnl Uts	186	−	32
TORONTO (C$)			
Rises			
Bovar	22⅛	+	1⅛
Plaintree	14⅜	+	1⅜
Potash Corp	65⅜	+	3⅛
Videotron	10⅜	+	⅜
Falls			
Golden Star	10⅜	−	⅜
Rako Inti	6⅜	−	⅜

PARIS (FFr)			
Rises			
Eco	677	+	16
Falls			
Accor	547	−	13
Banc Comp	515	−	15
Eridania B-Ch	738	−	27
Geophysique	301	−	10.5
UAP	123.1	−	3.4
TOKYO (Yen)			
Rises			
Central Gls	369	+	17
Nagase	835	+	23
Snima Lt Mill	348	+	24
Toyo T & C	793	+	41
Falls			
Chuo T & B	1130	−	50
Fudo Const	801	−	22
HONG KONG (HK$)			
Rises			
HK Macau Hld	5.7	+	0.2
Hoi Sing Hld	0.84	+	0.17
Shaw Bros	14.0	+	1.25
Falls			
Beijing Dev	2.7	−	0.1
China Assets	3.45	−	0.25
Yiu Wing Int	1.22	−	0.1
BANGKOK (Baht)			
Rises			
Sri Charoen	127	+	9
Thai Fish	82	+	8.5
Thai Mgntc	77	+	8.5
Falls			
Amarin Print	46	−	4.5
Hua Thai Man	58	−	7.0
Nakornthon W	28	−	3.0

New York and Toronto prices at 12.30pm.

Zurich leads $2bn bid for Kemper

By Ian Rodger in Zurich and Richard Waters in New York

An investment group led by Zurich Insurance, one of the world's largest insurers yesterday announced an agreed $2bn bid for Kemper, the embattled US insurance and fund management company.

The deal marks the end of the road for Kemper after a year in which it has rebuffed one hostile bid approach, seen a friendly takeover collapse, and was finally forced to put itself up for sale.

The proposal, which is intended to help Zurich's expansion into the US fund management business, met a sceptical response from investors and leading rating agencies. The Swiss company's shares fell SFr23 to SFr1,205, while Kemper's shares rose only $4¼ to $46.

Kemper had told its shareholders that they would receive $51 from the transaction and last week's move to spin off its securities unit. Yesterday's share price reflects market concern that the deal may not be completed.

Both Standard & Poor's and Moody's, the US rating agencies, said they would consider stripping the Swiss group of its triple-A credit rating over concerns that the deal could create financial strains. In a separate move, S&P lowered Kemper's debt to below investment-grade status over its worsening earnings record.

Defending the deal, Mr Rolf Hüppi, chief executive, said the purchase would not dilute the group's earnings. Also, Zurich, which has more than SFr10bn ($8.6bn) in disclosed shareholders' equity, had no need or plan to raise capital to finance it.

Zurich took a decision four years ago to expand its life insurance operations from 24 per cent to 30 per cent of total business. Last year, observing the growing popularity of investment-linked life insurance policies, it decided to acquire a strong position in global retail fund management.

Under the deal, which is subject to a due diligence process in May, Kemper's shareholders would receive $47.50 per share in cash and cumulative exchangeable preferred stock worth $2 per share.

The price is well below the $60 per share offered in an aborted hostile bid by GE Capital 13 months ago and the $68 which Conseco, a US insurer, eventually agreed to pay.

Under the plan, Zurich alone will purchase Kemper Financial Services, the US group's asset management subsidiary. It has $69bn in funds under management, of which $42bn are in mutual funds.

Subsequently, Kemper's holding company would be acquired by an investment group consisting of Zurich and Insurance Partners, an investment partnership in which Zurich and its Centre Reinsurance subsidiary together have a 20 per cent interest. The other main partners are Keystone, the vehicle of Texas investor Mr Robert Bass, and Chase Manhattan.

The group would then sell most of Kemper's property holdings, keeping only its two specialised life insurance subsidiaries, which have combined premium income of $750m. Zurich's US life insurance operations have premium income of $150m, while the annual premiums of its US property/casualty businesses are SFr5.5bn.

MCA sale will cause big Matsushita currency loss

By Michiyo Nakamoto in Tokyo

Matsushita, the Japanese consumer electronics company, will make a substantial foreign exchange loss this year as a result of its sale of an 80 per cent stake in MCA, the US entertainment company. Mr Yoichi Morishita, president, said yesterday the sale of 80 per cent of MCA to Seagram, the Canadian drinks group, would result in the company's realising a foreign currency exchange loss in its 1995 accounts.

He declined to comment on the likely extent of the losses. Analysts estimated that on the basis of the yen's 35 per cent appreciation against the dollar since December 1990, when Matsushita paid $6.1bn for MCA, the realised loss could be about Y200bn ($2.25bn).

"This is a big amount," said Mr Kunihiko Kawada, industry analyst at James Capel. Depending on where the loss is taken in Matsushita's accounts it could greatly reduce the pre-tax profits of Y260bn which James Capel forecast for the year to March 1996, or even result in a loss, depending on how much the yen strengthens in the meantime.

If the loss is taken as an extraordinary charge, it is likely to lead to a consolidated net loss of Y400bn to Y500bn, according to Mr Makio Inui, industry analyst at Kleinwort Benson in Tokyo. Mr Morishita said Matsushita planned to reinvest the MCA proceeds globally in expanding its multimedia operations, particularly in devices such as semiconductors.

He said the company had decided to sell a controlling interest in MCA in large part because of the changes in the industry which had occurred since the acquisition.

Matsushita is now likely to focus on smaller acquisitions or capital investment in hardware-related businesses rather than search for a huge purchase in multimedia software.

The company had acquired MCA 4½ years ago with a particular aim to realise synergies between the software business and packaged media, such as video and compact discs.

But the business environment surrounding multimedia in the US had changed since that time as cross-industry alliances and mergers and acquisitions became a growing necessity to keep up with industry trends, and Matsushita was not prepared to expand its exposure to the sector. Mr Morishita emphasised that Matsushita's remaining 20 per cent stake in MCA would continue to provide access to developments in multimedia.

"Matsushita aims to continue to engage in its software business in a partnership with Seagram, which has a clear vision regarding the world's entertainment business," he said.

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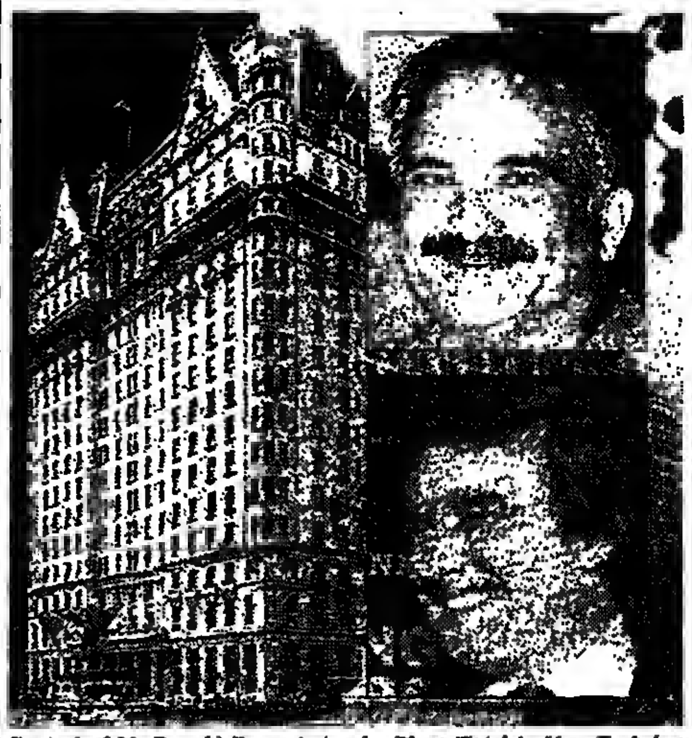
The Prince and the Plaza



Control of Mr Donald Trump's trophy Plaza Hotel in New York has moved to Prince Alwaleed bin Talal bin Abdulaziz (top). Story, Page 1

BBA sells clutch and brake maker for $290m

By Tim Burt in London

BBA Group, the UK engineering company, yesterday announced a strategic withdrawal from the motor components industry with the £181.2m ($290m) disposal of Automotive Products, one of Europe's leading brake and clutch manufacturers.

The company, which embarked on a £72.1m rationalisation last year, said the sale marked the end of a disposal programme that has raised more than £300m in the past 12 months.

"We have shifted gear from restructuring and will now concentrate on organic growth and acquisitions," said Mr Roberto Quarta, the chief executive recruited from BTR to overhaul the group 18 months ago.

BBA decided to sell AP, acquired for £98.4m in 1986, after it failed to meet Mr Quarta's target of 10 per cent operating margins, despite a return to profits last year and a doubling of margins to 7.4 per cent. It is being sold to a management buy-out team backed by CINVen, the venture capital group, and Morgan Grenfell, the merchant bank. CINVen, which said the first approach came from the BBA board, said the sale signalled a growing trend where companies were seeking possible bids from venture capital groups before opting for a buy-out.

Once completed, the disposal will strengthen BBA's balance sheet by converting pro forma net borrowings of £49.5m into £103.2m of cash. Mr Quarta said the funds would be used to strengthen BBA's activities in friction products – where it is Europe's market leader – aviation services, industrial textiles and power transmission.

Most UK analysts welcomed the deal and suggested acquisitions were likely in the textile and friction products sectors. "This effectively turns BBA into a broadly based industrial company, and they must have something in sight to buy," one said.

At AP, the management said it would continue the rationalisation programme started by BBA by consolidating its UK operations. Mr Brian Gaunt, AP's new chief executive and former director of BBA's clutch businesses, said the process would strengthen AP's position against competitors such as Lucas Industries.

It aims to challenge such rivals by expanding operations in Germany, Europe's largest components market, and North America. "Our product range is already superior to some competitors and we will build on that," said Mr Gaunt, who also hinted at a possible flotation of a rejuvenated AP. It is paying BBA £143.7m in cash, assuming borrowings of £26.4m and taking on £11.1m of preference shares.

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JP Morgan joins the shake-out in global custody

By Norma Cohen in London

J.P. Morgan, the US-based bank which is one of the world's largest providers of global custody services, is seeking a buyer for its business, a sign that the shake-out in the highly competitive sector is quickening.

J.P. Morgan is ranked in the top five providers of custody with about $250bn in custody assets worldwide.

Yesterday the bank said: "We won't comment on any market speculation. We are always examining the value of our businesses." However, J.P. Morgan is understood to have had conversations with other leading providers of global custody about a potential sale.

National Westminster Bank and Bank of America have also put their global custody businesses up for sale.

Custody, the safekeeping of securities for clients, has become an increasingly important business for large international banks because clients of the service are likely to become clients of other, more lucrative cash management, foreign exchange and securities lending services.

Fees have collapsed, however, because of fierce competition, limiting profitability. Pure custody services can be provided in the UK for less than 0.1 percentage points of assets under management and typically range from 0.1 to 0.5 percentage points of assets.

J.P. Morgan's move has surprised some industry experts, partly because it has long established itself in transactions banking with the creation of Euroclear, the international securities settlements system. J.P. Morgan has the management contract for Euroclear and acts as the provider of most of the banking activities which make Euroclear profitable.

Moreover, J.P. Morgan's global custody operations have recently attracted new business. One investment consultant calculated that the bank won 38 new mandates last year totalling $30bn in custody assets.

The bank's AA credit rating and its $10bn in capital have given comfort to institutional investors increasingly concerned about the credit quality of custodians. However, it is believed to have a relatively high cost base compared with other providers and has been less able to compete by cutting prices.

Barry Riley

Distance from Wall St lends disenchantment

When the world seems a risky place is it better to stay at home? For US mutual fund investors this appears to be an important lesson of 1995. The average return for a domestic equity fund was 7 per cent in the first quarter, and anything international seemed unattractive, despite the weakness of the dollar. Worst of all was Latin America, where the average loss was 30 per cent in three months.

Investors in strong currency countries perceive that most investments have performed badly, except local currency bonds and cash. In Japanese yen terms, for instance, the FT-Actuaries World Index has dropped 13 per cent this year.

British institutional investors, in spite of the weakness of sterling, are coming to much the same conclusion about domestic bliss, according to the latest Gallup poll sponsored by brokers Smith New Court. A strong balance of opinion in favour of UK equities has been building during the past months.

Another survey of leading British institutional fund managers by the pension consultants Godwins shows that 97 per cent of those polled are expecting the UK stock market to rise during the next year, with the residual 3 per cent expecting no change. Apparently, absolutely nobody believes that equities could fall.

The meaning of such polls is open to an interesting debate. Often they reflect the way portfolios are already disposed rather than genuine, detached opinions about the future. But the contrarian investor will sell into overconfidence and buy into fear.

The real curiosity here is that UK institutions have been so negative about the US market which, as those satisfied mutual fund investors can testify, has been a good performer. London and Edinburgh are important centres of global expertise, so British investment opinion can be taken as a proxy for the international view of Wall Street – and perhaps less negative, as UK investors have not suffered losses on the dollar on the scale of those in continental Europe or Japan.

> Apparently, absolutely nobody believes that UK equities can fall

The Gallup poll has shown consistent pessimism about Wall Street since October, and persistent enthusiasm about Japan during the past twelve months of poor performance. There is some simple cyclical reasoning here as the US economic expansion is thought to be mature while Japan is thought to be in its early stages. However, the formula has failed to work.

For the UK market, however, there is an inconsistency as one of the arguments of the bulls is that Wall Street has led the way up. But can strength in US equities which London fund managers failed to anticipate, and which they are still unwilling to believe in, justify a me-too bull run in the UK?

Presumably one reason why foreigners have been so suspicious of Wall Street has been that they have a quite different perception of the dollar's problems to that of most Americans. They cannot understand how a currency could be permitted to drift the the dollar has. Nor is the "soft landing" argument bought willingly outside the US.

But even at the current dollar exchange rate the US stock market continues to be easily the world's biggest, with a capitalisation weighting of some 36 per cent in the World Index. British pension funds, however, have only a 22 per cent exposure to the US in their overseas equity portfolios, little more than half the weighting in the World ex-UK Index. An uncomfortable position when Wall Street is strong.

There are some valuation questions about US equities, however. Dividend yields are particularly low and the valuation of earnings is moderately high for a fairly advanced stage of the cycle when profits are advancing to an historically high share of GDP. You can argue, as the bulls do, that there has been a fundamental technology-related shift in the balance of power between capital and labour. But most investors believe in regression to the mean.

Ebullient Americans are driving the US securities markets to levels which foreigners see as unattractive. US assets need to seem cheap to offset the currency risk.

It is a situation that may persist until dollar interest rates rise sharply and send those mutual fund investors back into savings accounts.

Michelin reports sharp recovery

By John Ridding in Paris

Michelin, the world's largest tyre manufacturer, yesterday demonstrated the strength of its recovery, announcing net profits of FFr1.29bn ($263.9m) for last year compared with a loss of FFr3.67bn in 1993.

The sharp reversal in the French group's performance reflected the revival in the European automotive market, continued strength in the US, and the impact of an aggressive cost-cutting programme, according to Mr Eric Bourdais de Charbonnière, finance director.

He said the company was on target with its two-year plan to reduce costs by FFr3.5bn, and confirmed that the restructuring should be completed this year. The group said it was resuming dividend payments with FFr2.35 for A shares and FFr2.25 for B shares.

Reflecting its more optimistic outlook, the group said it planned to raise investment to FFr3.5bn this year from FFr2.1bn in 1993. The spending is due to include the establishment of a plant in China. Tha plant, which will probably take the form of a joint venture, is aimed at capitalising on strong growth potential in the local market.

The recovery at Michelin has prompted industrial disputes at several of its sites. Trade unions, emboldened by the improved results, have demanded increased pay and more job security. They have been encouraged by comments from candidates for France's forthcoming presidential elections, who have accepted there is room for wage rises as the economy recovers.

Michelin has taken a relatively tough line on the disputes. Last week, it said it would suspend investment in two striking plants, one in the Vendée in south-western France and one in Poitiers, in the centre. Several trade unions at the company have called for stoppages at Michelin's Clermont Ferrand headquarters to support their demands.

While presenting the results yesterday, the manufacturer expressed caution in some areas, notably in prices for raw materials. However, Mr Bourdais de Charbonnière said the group should be able to offset rising input costs through higher tyre prices. Last month, for example, the company said it would raise the price of replacement tyres in France by 5 per cent.

Overall, Michelin struck an upbeat tone about demand prospects. Last year, it increased the volume of its sales by 9.5 per cent, although turnover climbed at a slower rata, by 6.2 per cent to FFr67.2bn. The gap is due to the fact that replacement tyres, which enjoy higher margins, have recovered more slowly than direct sales to car and truck makers.

Oparating profits rose sharply, to FFr4.75bn from FFr2bn, partly reflecting the reduced financial burden on the group. Stronger cash flow helped reduce net debts by FFr5.4bn to FFr23.4bn.

Analysts were relatively optimistic about the company. "Earnings for 1995 and 1996 are likely to benefit from an improvement in the economic climate, from savings measures and from the continued reduction in borrowings," said Mr Philippe Barrier of Société Générale.

He forecast profits of FFr2.6bn for 1995 and FFr3.7bn the following year.

Vendex soars 56% ahead of flotation

By Ronald van de Krol

Vendex International, the family-owned Dutch retail and business services group, yesterday reported a 56 per cent rise in 1994-95 net profit, just two months ahead of its expected partial flotation on the Amsterdam Stock Exchange.

The strong advance was attributed to higher operating profit, lower interest charges and a substantial book profit on the sale of shares in Barnes & Noble, the US book shop chain, in the third quarter.

Net profit in the year ended January 31 rose to Fl 385m ($244.9m) from Fl 246m a year earlier. Sales were up 6 per cent at Fl 10.4bn.

At the operating level, results climbed 16 per cent to Fl 343m, mainly because of further improvement at Vroom & Dreesmann, the group's flagship Dutch department store chain, and a strong rise in profits at its temporary employment agencies covering the Netherlands, Belgium, France and Germany.

Mr Jan Michiel Hessels, management board chairman, noted that the group had faced a challenging retail climate in 1994, with its fashion and clothing stores confronted by particularly tough conditions. However, business services, which also include cleaning and maintenance companies, had benefited from economic recovery. He declined to give a firm date for the long-awaited bourse flotation, but said he would be "disappointed" if it had not taken place by the early summer.

Many analysts expect the shares to be floated in the first two weeks of June.

Vendex, which comprises more than 50 operating companies in 10 countries, is owned by the descendants of the group's two 19th century founders and ranks as one of the largest privately-held companies in the Netherlands.

It is not yet clear how many of the family shareholders, numbering some 800 people, will tender their shares for sale. However, analysts expect the flotation to be worth up to Fl 2bn, making it one of the largest in recent Dutch history after the privatisations of Koninklijke PTT Nederland, the telecommunications and postal group, and DSM, the chemicals company.

The sale of Barnes & Noble shares generated a book profit of Fl 200m. This was partly offset by restructuring provisions.

On balance, the group saw a rise of Fl 138m in the "value changes" of fixed assets and the securities, the line on the profit and loss account where this type of transactions is booked.

The previous year, these value changes amounted to Fl 40m.

Warm reception for Repsol share placement

By David White in Madrid

The placement of shares in Repsol, the Spanish oil and gas group, has been two and a half times subscribed, the company said yesterday.

Mr Oscar Fanjul, chairman, described the international sale, which will bring the Spanish government up to Pta200.84bn ($1.6bn), as "a great success".

There were applications from Spanish and foreign institutions for three times the 25m shares on offer, which include a 4.5m-share over-allotment option. Demand in the UK was particularly strong, with its tranche more than four times subscribed.

The price was set at Pta3,620 for institutions, the same as Repsol's closing price on the Madrid stock exchange on Monday. For Spanish retail investors, it was set at Pta3,448 a share, representing a 5 per cent discount on Monday's average price. The success of the operation was bolstered by a price guarantee, under which individual investors are entitled to a rebate of up to 10 per cent if the share price falls below the offer level in the next 12 months.

The surprisingly strong demand justifies the government's decision at the end of last month to extend the placement plan by 12m shares to a maximum total of 57m from the initial 45m. If the over-allotment option is exercised, as expected, the state's holding in the company will be reduced to 21 per cent from 40 per cent.

The retail tranche was subscribed 2.3 times, in spite of the increase in the number of shares on offer. Of the 32m shares in the expanded retail tranche, 3.6m are to go to group employees.

ABN Amro lifts stake in HG Asia to 55%

By Ronald van de Krol in Amsterdam

ABN Amro, the big Dutch bank, yesterday acquired an additional 35 per cent stake in HG Asia Group, a leading Asian stockbroker, taking its total holding to 55 per cent.

The Dutch bank, which had said it was aiming at majority control when it bought its initial 20 per cent stake in November 1994, plans to buy a further 5 per cent in July, raising its ownership to 60 per cent.

Financial details were not disclosed. The shares were bought from the broker's two other shareholders, HG Asia's management and the Guoco Group, which is part of the Malaysian Hong Leong Group, a conglomerate headed by Mr Quek Leng Chan.

ABN Amro's purchase in July will leave Guoco with 30 per cent and HG Asia and management with 10 per cent.

HG Asia – which is based in Hong Kong with offices in Korea, China and Indonesia, among other countries – was formerly part of Hoare Govett, the UK stockbroker. ABN Amro bought the London-based European operations of Hoare Govett three years ago.

Mr Louis de Biévre, chairman of ABN Amro's investment banking division, said the move brought the Dutch bank "one step closer to achieving global coverage in the equity business".

HG Asia, which works mainly for institutional clients in Asia, Europe and the US, will continue to operate under its own name and management. Of its more than 400 employees, 65 are equity analysts.

Besides its Hoare Govett and HG Asia purchases, ABN Amro has also acquired a string of European brokers, in countries such as Ireland, Denmark and France, in recent years. In the US, where it is one of the largest foreign banks, the group has concentrated mainly on selling European and Asian equities to US investors. However, last year it was licensed to underwrite US corporate bonds.

Low costs and high ideals hold Icelandair on course

When Icelandair's cabin staff went on strike last month, Mr Sigurdur Helgason, the chief executive, and 25 of his senior managers took a crash course in airline safety and hijacking drills, and coffee-serving, and took to the air in place of the protestors.

"We kept most of our services to Europe going and in three days the strike was over. We haven't heard much from the union since," says Mr Helgason.

This robust attitude to business is typical of Icelandair, one of Europe's smallest international airlines but one if its most innovative. In spite of being the flag-carrier for a nation of a mere 267,000 people, it has been profitable for eight out of the last 10 years.

In 1994, it reported profit of $8.9m on turnover of $227m, after two years of losses. It carried 1.1m passengers – about four times the population of its home state. Icelandair accounts for some 4 per cent of Iceland's gross national product. "Measured that way, we are easily the biggest and most successful airline in the world," says Mr Helgason.

As the country's biggest private-sector company, the carrier has achieved its success without any government subsidy or part-ownership for the past decade. In fact, it and British Airways are the only two European national flag-carriers 100 per cent privately-owned. Icelandair's principal owner is an Icelandic shipping company called Eimskip, which owns 33 per cent of the stock.

Most of the rest is held by Icelandic investors. The island has no bourse, and foreign ownership of local companies is still subject to some restrictions. However, since Iceland joined the European Economic Area, foreigners' rights to buy shares in private companies have been extended. If you want shares in Icelandair, contact an Icelandic bank.

Icelandair was created through the merger of two smaller carriers in 1973. Today, apart from its dominance of Iceland's domestic routes, it flies scheduled flights to four US destinations and a dozen European cities. However, because of the small size of its home market (only 28 per cent of its tickets are sold in Iceland), it has had to develop some unorthodox strategies to survive and thrive.

Unlike many modern scheduled airlines, it relies on relatively low-fare traffic for the bulk of its income, not the lucrative full-fare business clientele that sustains so many of its rivals. Icelandair's average fare is 35 per cent lower than that of Scandinavian Airlines System, for example.

This means Icelandair is to a large extent a tourist airline. However, it has not been content simply to exploit the growing trade in tourists visiting Iceland. Rather, it has built up healthy business flying foreign tourists from their home countries to other non-Iceland destinations, making use of so-called "fifth freedom" rights allowing airlines to carry passengers from one third country to another.

The airline has used this especially on its US services, which include scheduled flights to New York, Baltimore, Orlando and Fort Lauderdale. "We carry more Swedes and Norwegians to holidays in Florida than any other airline," says Mr Helgason. In the opposite direction, it has a long history of offering low-fare trips to Europe for Americans: one of the airlines that formed Icelandair through the 1973 merger carried President Bill Clinton to the UK as a student – with a stopover in Iceland where he sampled Reykjavik's surprisingly busy nightlife, according to company lore.

Icelandair has not neglected business traffic, however. An important niche for it is transatlantic business flyers, who it attracts with competitive fares and short stopover breaks in Iceland.

It once had rights to fly non-stop from Luxembourg to New York, and it claims today to be the biggest "fifth-freedom" carrier on the transatlantic route out of Amsterdam.

Cost controls are a key to Icelandair's success. Its fleet – completely replaced five years ago at a cost of $300m – is small, comprising three Boeing 757-200s (with another on lease), four 737-400s and four Fokker 50s for domestic routes. The airline aims to make maximum use of these aircraft – for instance, it runs the 757s for as much as 16.5 hours a day.

The small number of foreign rivals flying into Reykjavik – with some, such as SAS and Lufthansa, not flying during the winter – helps Icelandair keep its numbers up. However, with winter tourism flat in Iceland, even the sharp increase in foreign tourist traffic into the country in recent years has not been enough to assure the airline's future.

Cost-consciousness and exploitation of niche foreign markets will continue to be the keys to its profitability.

Hugh Carnegy

Varta warns of rising lead price

Varta, the German battery maker, expects lead prices to rise again after declining in early 1995, Reuter reports from Hanover.

Mr Erhard Schipporeit, head of Varta's management board, said the current buying-in price was DM85 per 100kg against DM100 at the beginning of 1995.

He said global lead price rises of 30 per cent in 1994 had added DM20m ($14.2m) to Varta's operating costs.

Varta blamed higher production costs and lower retail prices for losses of DM56.4m, after a DM340,000 profit in 1993. Sales in 1994 rose 1 per cent to DM2.25bn. The company, which hopes for an improvement this year and a return to profitability in 1996, expects to shed another 1,000 staff over the next two to three years, after a reduction of 1,000 in 1993 and 1994, it said.

It will also relocate more elements of production abroad.

Strong gains at US paper groups in first quarter

By Maggie Urry in New York

The US paper industry can look forward to a good year if the trend of first-quarter earnings figures continues. Results from International Paper and Weyerhaeuser yesterday, and Champion International on Monday, showed sharp profit gains as demand for paper has risen faster than supply and prices have soared.

International Paper reported a more than threefold increase in first-quarter net income to \$246m from \$78m, or \$1.95 a share from 61 cents. The gain came on group sales up 32 per cent to \$4.5bn and was in spite of a rise in interest charges to \$104m from \$77m.

At Weyerhaeuser, net income more than doubled to \$207m from \$127m with sales up 15 per cent to \$2.75bn. Earnings per share were \$1, a 61 per cent gain on the 62 cents in the same quarter of 1994. Mr John Creighton, president, said: "We are confident that a record quarter will be followed by a record year."

The trend was evident at Champion, which turned a net loss of \$31m, or 41 cents a share, into income of \$131m, or \$1.26. Mr Andrew Sigler, chairman and chief executive, was optimistic. "As long as global economic activity remains strong, the outlook for the paper industry is very positive," he said.

The strength of tha paper husiness was partly hidden by lower profits from each group's wood products activities, which have been affected by lower lumber prices. At International Paper, sales of printing papers were up 58 per cent to \$1.51bn while forest products sales fell nearly 10 per cent to \$385m.

Weyerhaeuser reported operating earnings from its pulp, paper and packaging division up to \$210m so far in 1995, from \$5m in the first quarter of 1994. Its timber and wood products activities suffered a decline in profits to \$239m from \$283m. At Champion the paper business moved to a profit before tax of \$230m from a loss of \$40m, while profits from the wood products side dropped to \$48.6m from \$64.3m.

The shortage of supply has kept paper buyers "frantic" for tonnage with prices a "secondary concern for customers", according to Mr Peter Ruschmeier, industry analyst at Oppenheimer, the brokers.

Mr John Georges, chairman and chief executive of International Paper, said: "These earnings confirm that we're experiencing a dramatic upturn in our industry." He said that, combining expected economic growth worldwide and the limited capacity coming on stream, "you come out with a very optimistic view of the supply-and-demand balance this industry should experience for several years to come".

International Paper said "every thing is on allocation" and as a result it was pushing through price increases across the board. Prices for some paper grades have doubled from the low point two years ago. With relatively little new capacity due this year any extra tonnage available would be rapidly absorbed, it said.

● Celnlosa Argentina, the Argentine pulp and paper maker, reported net losses had widened to 50.51m pesos (\$50m) in the nine-month period to the end of February, from 46.57m pesos in the same period a year earlier, *AP-DJ reports from* Buenos Aires.

Celulosa said during the third quarter, international and domestic demand for paper and pulp continued to grow. "That allowed our results to continue improving, despite the fact that, at the moment, they continue to be negative," the company said.

Celulosa said that for the third quarter, it registered a loss of 13.98m pesos, compared with a loss of 16.22m pesos in the second quarter and 20.32m pesos in the first. Paper sales to the domestic market eased 9 per cent in the third quarter compared with the second.

The company began exporting cellulose paste to Brazil. Argentine exports to Brazil have surged during 1995 as a result of the Mercosur customs union, which eliminated all internal tariffs on goods traded among Argentina, Brazil, Paraguay and Uruguay.

Salomon parts with research director

By Maggie Urry

Mr Martin Liebowitz is leaving Salomon Brothers to become chief investment officer of CREF Investments, part of the Teachers Insurance and Annuity Association-College Retirement Equities Fund.

TIAA-CREF is the biggest pension fund in the world and recently led the campaign to reorganise management at WR Grace, the chemicals gronp.

Mr Liebowitz is credited with being one of the inventors of zero-coupon bonds and mortgage-backed secnrities.

He has been with Salomon for 25 years and is director of research, in charge of the 450-strong department covering eqnity, bond and economic analysis.

Although Salomon has lost some bighly paid managing directors following the introduction of a controversial new pay scheme, the parting *between Mr Liebowitz and the* firm seemed to be amicable. Mr Liebowitz said he looked forward to being a customer of Salomon's once he reached CREF.

At CREF, Mr Liebowitz is replacing Mr James Martin, who retired at the end of last month.

He will take up the appointment in Jnne.

TIAA-CREF has \$136bn in assets under management.

Transbrasil in black for first time since 1986 with R\$38.9m

By Patrick McCurry in São Paulo

Transhrasil, *Brazil's second* largest airline, returned to profit last year for the first time since 1986. Profits after tax for the year ending December 31 1994 were R\$38.9m (US\$43.7m), compared with a loss of R\$81.9m in 1993.

The profits are largely a result of increased air traffic following the sharp fall in *inflation brought by Brazil's* Real currency last July. The company benefited from the appreciation of the Real against the dollar, whicb *helped reduce dollar-denomi*nated financing costs.

The company, which is controlled by its founder Mr Omar Fontana, has benefited from a two-year restructuring. Last year, the company cut its workforce by about 10 per cent to 4,500.

In spite of the strong performance, Transbrasil ended last *year with a negative net worth* of R\$148.4m because of its seven consecutive years of losses. Its negative net worth at the end of 1993 was *R\$186.5m.*

Operating revenues last year increased 30 per cent to R\$585.1m from R\$450.8m in 1993. The growth occurred mainly in the second half.

Increased consumer purchasing power following the drop in inflation fuelled a sharp increase in demand for domestic and international flights *after years of contraction in* the Brazilian market.

Montreal SE urges reform

By Robert Gibbens in Montreal

Canadian stock exchanges mnst pool capital and resources to create a national *trading system as efficient* as their US rivals, according to Mr Gerald Lacoste, president of the Montreal Stock Exchange.

More than 50 per cent of the trading in Canadian interlisted stocks was handled in the US, he said yesterday.

He added that many smaller Canadian companies were launching *initial public offer*ings in the US.

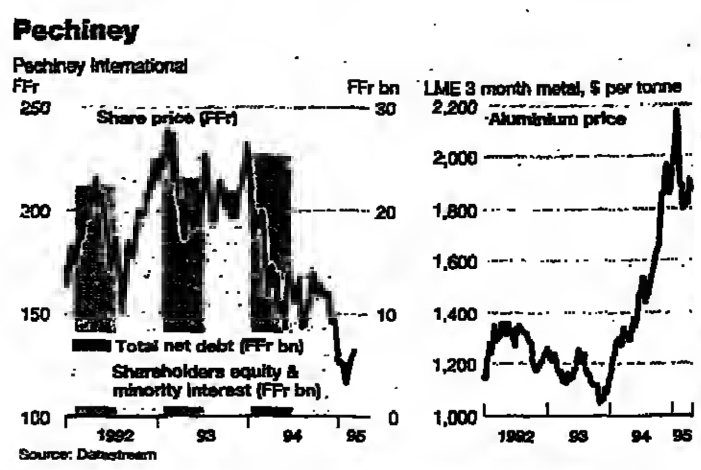
Pechiney shapes new sell-off mould

The French packaging and metals group wants investor credibility

Mr Jean-Pierre Rodier was relishing his new role yesterday as chairman of Pechiney as he outlined his strategic plan to hammer the French packaging and metals group into shape *for privatisation* hy the end of this year.

However, one of the many charts he showed to a crowded audience of investors and analysts to illustrate his arguments showed just how little room he had to manoeuvre. This revealed that Pechiney is generating a respectable cash flow of FFr3.8bn (\$779m) after paying for investments - but nearly all of it is heing absorbed hy interest payments on its FFr25bn debts and by the FFr900m a year the group must provide in pensions and bealthcare for its US employees. Most of the debt and all of the other payments are legacies from Pechiney's \$1.26bn acquisition of the American National Can packaging company in 1988.

Pechiney



Source: Datastream

Jean-Pierre Rodier
Chairman & chief executive

Mr Rodier suggested that, while Pechiney could cover *these payments from operating* profits, it could not not reduce its debts without compromising the longer-term prospects of the various operations.

His predecessor, Mr Jean Gandois, hoped to merge Pechiney with the cash-rich CNR (Cie Nationale du Rhône), the electricity company, but Mr Rodier said it would not be reasonable to rely on such a politically sensitive deal heing achieved. A new strategic approach had to be developed. *Mr Rodier said over the past* two months more than 150 Pechiney managers were involved in drawing up the action plan, looking at markets, materials, technologies and for synergies between group operations.

This exercise identified a number of stable, mature businesses within Pechiney that would continue to generate strong cash flows. There were others set for strong growth. In the foreseeable future investment would he strictly allocated only to these growth areas. Assets that had no synergy with the rest of the group had been identified and these would be sold to reduce debt. Mr Rodier also said costs had to be reduced.

He stressed Pechiney tried to assess what investors were looking for because it needed to gain credibility with them if the group was to be privatised quickly. He also revealed yesterday that the group would be looking for another FFr2bn-FFr10bn in some form of equity from the private sector.

The operations Pechiney is selling are all stand-alone businesses and together are worth, *according to Mr Rodier's calcu*lation, about FFr10bn or about 20 per cent of the group's total assets. They employ about 20,200 people. Up for sale are the Howmet aerospace components business as well as the glass, food, metal and speciality businesses.

The group announced last week it would raise about FFr1bn hy cutting its stake in Carbon Lorraine, the French industrial components company, and its Unimag industrial *magnets subsidiary.*

Analysts suggest Howmet might bring in FFr4bn-FFr5bn in spite of the present poor state of the aerospace market. Mr Rodier said that FFr4bn seemed "a bit low". He insisted there would be no "fire sale" and, if Pechiney had to wait two years to get the prices it believed the operations were worth, then it would wait because they were all good husinesses.

The sales will leave the group to concentrate on its two core businesses: aluminium, where it is Europe's higgest producer, and its remaining packaging operations, which even after the sale will probably still be the biggest in Europe and second in the world. Those areas earmarked for investment include aluminium drinks cans ontside the US.

In the US, Pechiney can visualise a time when PET plastic bottles will erode the aluminium can's market share. So a \$80m restructuring programme announced last year for ANC that would have involved some expansion, has been halved. Pechiney recently announced a *joint venture to make cans* in Mexico and Mr Rodier said it might go into Brazil on its own. Flexible packaging, tubes and deluxe cosmetic packages were also in line for more investment.

Mr Rodier made it clear aluminium was being brought hack to centre stage at Pechiney, after a period where his predecessor wanted to diminish its importance because of its cyclicality. *Mr Rodier has no such* aversion. Now 47, he is a graduate of the elite Ecole Nationale Superieur des Mines, and was recruited by the government for Pechiney from Union Minière, the Belgian group that was the world's higgest zinc producer when he took over.

At Union Minière he gained first-hand experience of selling assets and the need to have patience. He also took firm action to reduce costs, oot an easy matter when that involves having to deal with European unions. He suggested yesterday that, if he wanted to build confidence in Pechiney among investors, there would have to be some visible results from his action plan before the end of this year. Once he had prepared the group for privatisation, then it would be up to the new government to make the next move.

Whether such a tight timetable can be met depends as much on the decisions and composition of the government as it does on Mr Rodier's restructuring.

For the moment, the ambitious privatisation programme of Mr Edouard Balladur's centre-right government has been put on bold pending the presidential elections. Assuming a victory of the right, which seems probable, the plan to dispose of 21 public sector groups, including Pechiney, sbould resume smoothly. But how far the aluminium and packaging concern will be able to push itself to the front of the queue remains open to question.

There are several operations under way. Usinor Sacilor, the steel maker, is in the starting hlocks, having pursued a restructuring at least as radical as Mr Rodier's. Assurances Générales de France, the insurance group, is awaiting an upturn in the international hond market before being offered to investors.

Pechiney holds the advantage over other puhlic sector gronps of having a publicly quoted subsidiary and is already familiar with investors. If Mr Rodier can succeed in standing Pechiney firmly on its two feet of aluminium and packaging, he may soon find himself striding towards the private sector.

Kenneth Gooding and John Ridding

INTERNATIONAL COMPANIES AND FINANCE

Motorola opens with record sales and earnings

By Louise Kehoe

Motorola reported record sales and earnings for its first quarter, in spite of some "short-term issues" that the US semiconductor and telecommunications equipment manufacturer said had an averse effect on results.

Sales for the quarter rose 28 per cent to $6bn from $4.7bn a year earlier. Net earnings were $372m, or 61 cents a share, compared with $298m, or 51 cents, in the first quarter of 1994, adjusted for a stock split.

Earnings were slightly below Wall Street expectations of about 64 cents a share. In February, several analysts cut their estimates for Motorola when the company warned that excess stocks of its cellular telephones had built up in the US retail channel.

Good progress was made in reducing the excess inventories in the first quarter, said Mr Christopher Galvin, president and chief operating officer. Worldwide sales and orders for cellular telephones increased, but at a lower rate than the average of the past several years, he added.

Semiconductor eales increased 16 per cent to $1.9bn and operating profits were higher. The company reported strong growth in orders for its Risc microprocessors, static random access memory (S-ram) and digital signal processor chips.

During the quarter, the company announced plans for new chip production facilities in Mexico and China.

The newly formed messaging, information and media division, which includes pagers, reported a 24 per cent increase in sales to $788m. Growth in international markets, led by China and Europe, offset lower orders in the US.

Mobila communications products sales rose 5 per cent to $785m. US sales were lower than in the second-half of last year because Nextel Communications, a large customer, has been concluding merger and financing activities. Mr Craig McCaw's plans to invest up to $1.1bn in Nextel are expected to lift Motorola sales.

SA bank acquires Swaziland side of Meridien BIAO

By Joel Kibazo in London

First National Bank, the South African banking group, is to acquira tha Swaziland operations of Meridien BIAO, the troubled independent banking group that previously operated in 20 countries.

Last month, the Central Bank of Swaziland took over the Meridien BIAO operations in that country following a liquidity crisis, and approached Sooth African banking groups about acquiring the three branches in Swaziland.

Central banks in Kenya, Tanzania and Zambia all took over the running of local Meridian BIAO operations last month.

Mr Boh Wood at First National declined to say how much his group was paying for the Meridien BIAO operations but said: "It was a bank in distress and our motivation was to extend our operations in Swaziland. Meridien BIAO Bank of Swaziland is a well managed and effective operation but following the on-going liquidity problems of the Meridien group internationally, Meridien Swaziland was unahle to meet Swaziland'e liquidity requirements."

Mr Wood said the action was taken to protect depositors and was not a reflection on the bank or its management.

The Swaziland banks are to be renamed First National and Mr Wood said they would be particularly useful in servicing its Sooth African customers doing business in Swaziland.

The central bank said depositors' funds had been protected and creditors would receive payment in full. First National Bank has more than 500 branches in South Africa, and further outlets in Namibia and Botswana.

GM rewards chief as earnings double

By Richard Waters in New York

Mr John Smith, chief executive and presidsnt of General Motors, received $6.1m in remuneration last year, up from $1.4m in 1993, as the US's biggest vehicle maker paid its first bonuses for five years.

Mr Smith received a $4.2m bonus for 1994, a year in which GM'e core North American operations struggled back into profit.

The company douhled its after-tax earnings from a year before, to $4.9bn.

However, in spite of very strong car and truck markets in North America last year, the company failed to meet the financial targets which Mr Smith has set as an average for both good and bad times.

Under GM's profit-sharing scheme, hourly-paid and salaried employees received bonuses averaging $550 last year.

Commenting in the company's annual report, Mr Smith said the company was moving "towards financial respectability once again . . . [but] regaining that respectability won't be easy".

In spite of the jump in his remuneration, Mr Smith did not do as well as Mr Alex Trotman or Mr Robert Eaton, his counterparts at Ford Motor and Chrysler respectively. Both of the smaller motor manufacturers reported record profits last year. Mr Trotman was paid $8m, more than douhle the 1993 level, as his bonus jumped six-fold to $6m.

Ford also said it had introduced new measures to tie its senior executives' pay more closely to those of the company. Mr Trotman will be required to hold stock worth five times his annual salary, while around 30 other senior Ford executives will have to own shares with a value equivalent to their salaries. They will be given five years to build the holdings.

Mr Eaton, chairman of Chrysler, was paid $8.2m in 1994. Of this, $3.2m was in the form of a bonus and remuneration under the company's long-term performance plan.

Kazakh deal for Placer Dome

Placer Dome, the international mining group, eaid it had reached an agreement with the Republic of Kazakhstan to develop a potential gold field in northern Kazakhstan, Reuter reports from Vancouver.

Placer said it would pay the Republic of Kazakhstan US$35m with a further $45m to be paid as soon as Placer Dome's Kazakhstan division has signed a formal joint venture agreement and satisfied other conditions of ownership, gold export and the manner in which profits will be repatriated.

Placer said the venture would explore and develop the Vasilkovskoye gold property and surrounding area, located 17km from the city of Kokshetau.

AMD chip shipments delayed

By Louise Kehoe in San Francisco

Advanced Micro Devices said it had encountered technical problems in manufacturing its next generation of microprocessor chips, which will compete with Intel's Pentium. The problems will delay high-volume deliveries until the first quarter of next year.

First shipments of the new chip, called the K5, had been expected in August or September, but will now be made two to four months later, the company said.

The delay is a setback for the US company, which has been attempting to catch up with Intel, the microprocessor market leader.

Yesterday, AMD's share price dropped by $3 to $33⅞ in early trading on news of the delay, which was revealed to analysts following AMD's first-quarter financial report.

The company reported higher than expected earnings for the quarter boosted by strong demand for its Intel-compatible 486 chips.

Sales increased by 21 per cent to $620.1m, up from $518.1m in the first quarter of 1994. Net income, before the payment of preferred stock dividends, was $96.8m, or 91 cents a share, an increase of 14 per cent over $84.6m, or 82 cents, in the same period last year.

"The growth was primarily driven by strong market demand for our Am486 microprocessors and our 5-volt only flash memory devices," said Mr W. J. Sanders, chairman and chief executive. "Both set new quarterly sales records."

AMD increased production of microprocessor chips by more than 50 per cent, compared with the prior quarter, Mr Sanders said, by shifting to half-micron process technology which crams more chips on to a silicon wafer.

During the quarter, product shipments from an AMD/Fujitsu joint venture plant in Japan, prodncing memory chips, contributed to revenue for the first time.

"Demand for our flash memory devices is currently outstripping our ability to supply," Mr Sanders said.

NEWS DIGEST

Hydro-Quebec profit slides 12.4% to C$667m

Hydro-Quebec, one of Canada's two biggest electric power utilities, suffered a 12.4 per cent decline in 1994 net profit to C$667m (US$481m) because of higher depreciation and interest costs, writes Robert Gibbens in Montreal.

The utility, fully owned by the Quebec government, was completing construction of the LaGrande Phase Two Hydro system in Northern Quebec with a heavy schedule of commissionings.

Total sales were C$7.3bn, up 3.8 per cent from 1993, due mainly to higher short-term exports to the US and recovery in the pulp and paper, metals smelting and mining industries.

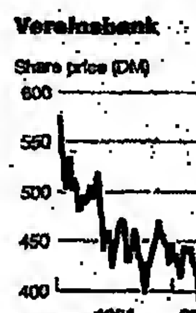
Operating expenses dipped 1.9 per cent due to cost saving programmes and staff reductions. But interest expense was up 12.2 per cent, reflecting the new commissionings and a lower Canadian dollar. Total investment was C$3.3bn, down 18 per cent.

Hydro took advantage of 1994's receptive financial markets to raise C$800m for its 1995 borrowing programme. Total 1994 debt issues were C$3.6bn and after refinancings and retirements, net proceeds from financing activities were C$2.2bn.

At the year-end the weighted average interest rate on long term debt was 9.04 per cent, down from 9.24 per cent a year earlier.

In 1994 exchange losses were lower, interest coverage improved and the self-financing ratio rose to 47.9 per cent from 37.9 per cent. The utility paid C$688m in taxes, mainly to the provincial government, up 2.5 per cent from 1993.

Vereinsbank sets price for rights issue



Source: FT Graphite

Bayerische Vereinshank, the Munich-based bank, said yesterday shares in its previously announced one-for-eight rights issue will be priced at DM350 each, AP-DJ reports from Munich. The new shares will be entitled to the full annual regular dividend for 1995 and will be offered from April 28 to May 12.

The issue will raise Vereinsbank's subscribed capital by a nominal DM149m to DM1.32bn. The capital increase lifts total equity capital by DM1bn to DM14.7bn.

The DM350 shares are being offered below the current share price on the Frankfurt Stock Exchange. Yesterday shares of Vereinsbank closed at DM397.50 each, down DM1.50 from Monday's close.

The increased capital is intended to equip Vereinsbank for the "growing demand for investment, real estate, and export financing," the bank said.

It added that it would strengthen its own capital base "for the continued expansion of its international activities."

Schering-Plough in heart drug joint venture

Schering-Plough and COR Therapeutics have agreed to jointly develop and commercialise COR's Integrelin, an agent to prevent and treat coronary artery blockage, Reuter reports from Madison, New Jersey.

Schering-Plough will pay COR a $20m licensing fee and make additional milestone payments of about $100m if all development goals are met, a joint statement said.

The two companies will co-promote and share profits of Integrelin, which is in late-stage development, in the United States and Canada, it said. Schering-Plough has the right to launch it in Europe and would initially pay royalties to COR.

Integrelin is a synthetic peptide being developed for the treatment of acute cardiovascular disorders, the statement said.

Metall Mining buys stake in tungsten miner

Metall Mining, the Toronto-based mining group, is to pay C$27m (US$19.5m) for a 73 per cent stake in Wolfram Bergbau Hüttengesellschaft (WBH), an Austrian tungsten mine and tungsten powder maker, writes Bernard Simon in Toronto.

The sellers are Teledyne, the California-based defence and industrial group, and Metallgesellschaft, the German conglomerate which was Metall Mining's controlling shareholder until last year.

WBH is one of two integrated tungsten powder producers in the western world – the other is in South Korea – and has an annual capacity of 2,500 tons of powder and tungsten carbide.

Metall, whose interests centre on copper and gold, said WBH had strong cash flow and earnings at current tungsten prices. Buoyant demand has helped lift tungsten ore prices to US$58-$70 per 10kg unit from $33-$45 a year ago.

The deal is subject to regulatory and corporate approvals.

Air Canada borrows $165m for new aircraft

Air Canada has borrowed US$165m from an international banking syndicate to finance progress payments for six Airbus A340s and 25 A319s it has ordered for delivery late in 1996 to May 1998, writes Robert Gibbens.

The payments are normally made while permanent financing is arranged as the aircraft are delivered. Air Canada has said Airbus will be responsible for the financing of the aircraft but it has left open the possibility that some may be acquired outright.

The syndicate is led by CIBC, Canada's second-largest bank, Bayerische Landesbank and Crédit Lyonnais.

Airbus said that the value of the total order is around US$1.6bn.

Hungarian advertising daily sold to Canadians

AV Rt, the Hungarian privatisation body, is to sell Expressz, the country's largest advertising daily to Hebdo MAG, a Canadian media group, writes Virginia Marsh in Budapest.

Hebdo MAG is expected to pay Ft2bn ($16.8m) for Expressz. Hebdo is jointly owned by Torstar Corp, the publisher of the Toronto Star, Canada's largest newspaper, and by the MacBain family which also manages tha company.

It publishes more than 60 classified advertising titles in south-east Asia, Europe and North America.

Expressz is part of Hirlapkiado Rt, a state-owned media publishing company which is expected to go into liquidation. It carries classified advertisements and has a daily circulation of around 350,000.

JCI opens up South Deep system

Johannesburg Consolidated Investments, the South African mining house that will be restructured and sold off to black investors by parent Anglo American later this year, yesterday formally opened the South Deep shaft system at its Western Areas gold mine outside Johannesburg, writes Mark Suzman in Johannesburg.

The new shaft, which has been under development for several years, looks likely to be one of the few successful new developments in South Africa's mature gold mining sector.

It will employ 3,500 and is expected to produce 38m ounces of gold during its lifetime, equivalent to R54bn ($15bn) at current prices.

Mr Bill Nairn, manager of JCI's gold and uranium division and the future managing director of the new company, JCI Ltd, which will take control of the mine after the restructuring, said it was critical that South African gold mines boost productivity if they were to remain viable.

"South Africa has moved up the cost curve from a position where it was the lowest cost producer only 12 years ago to being among the highest in the world," he warned. "Unless we arrest this alarming trend we will soon go out of business."

Pakistan Tobacco moves into edible oil

The Pakistan Tobacco Company, a subsidiary of BAT of tha UK, has diversified into edible oils to offset losses which it blames on foreign cigarettes which are being smuggled into the country, Reuter reports from Karachi.

The company, one of Pakistan's biggest taxpayers, saw its pre-tax profits in the year to last December plunge 74.23 per cent to Rs59m ($1.87m) from Rs229m in 1993.

Last December the company launched its Sundrop edible oil based on locally grown oilseeds, a spokesman said. Mr John Benedict Stevens, chairman, said in his annual report the company was using its expertise to promote the growth of domestic oilseeds and cut the country's edible oil import bill.

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Pacific Dunlop may sell food interests

By Nikki Tait in Sydney

Pacific Dunlop, the Melbourne-based conglomerate whose shares have been battered by litigation threats at its US heart pacemaker unit, yesterday announced a big operational and management reorganisation.

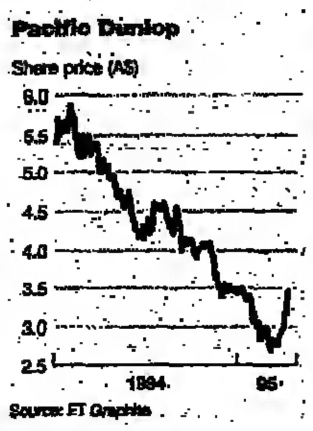
The shake-up is likely to involve the sale of PacDun's food interests, with analysts putting the price-tag at between A$700m and A$850m (US$522m-US$634m); the disposal of the Cochlear subsidiary, which makes hearing device implants; and a share buy-back programme. On the latter, the company claimed that its shares were "significantly undervalued", although it also revealed that full-year profits were now expected to be down oo last year's A$307m.

News of tha reorganisation was largely welcomed by the stock market. PacDun shares, which gained 13 cents to A$3.30 on Monday amid speculation about an announcement, yesterday added a further 16 cents initially, slipped back, but eventually closed at A$3.46.

Analysts were broadly supportive of the changes but remained cautious until asset sale prices were known.

The food business will represent the biggest disposal. PacDun said it had received a number of approaches from interested bnyers, mainly international, and had decided to pursue them.

"Discussions are at an early stage and may extend over several months," it said. However, PacDun later added that it aimed to complete a deal by July.



Source: FT Graphite

PacDun moved into the food sector four years ago, buying Peterville Sleigh, Australia's second largest food group, for about A$400m. It subsequently added the Plumrose business. Today, the interests consist mainly of packaged food products sold under the Edgell, Bird's Eya and Yoplait brand names.

The company says funds employed in the business are between abont A$1bn and A$1.1bn, including A$450m in respect of goodwill and intangibles.

However, the unit has repeatedly failed to meet expectations and earlier this year, Mr Philip Brass, managing director, admitted it would take two years to reach the desired 9 per cent to 11 per cent gross margin on sales.

In the last full year to end-June, the food group saw operating profit fall to A$52m from A$67m, on sales of A$968m, against A$868m.

Cochlear is part of the healthcare group and has developed an implantable device which can restore hearing to the deaf or partially-deaf.

According to Mr Brass, Cochlear implants about 3,000 devices a year and has sales of between about A$65m and A$70m. PacDun said it wanted to retain majority Australian ownership and wonld dispose of Cochlear via a trade sale or stock market flotation.

Money raised from the sales will be deployed in expanding other businesses and buying in shares. PacDun said several acquisition opportunities for Ansell, its latex business, and the GNB Technologies batteries unit were under consideration, in the A$50m to A$150m range.

The share buy-back programme provides for a maximum 10 per cent of the equity to be bought in and cancelled in a six-month period. Further shareholder approval is not needed.

Finally, the group is to be restructured into four divisions: an industrial unit, household products and clothing/sportswear, a distribntion arm, and GNB Technologies.

CE Heath to merge with CIC Insurance

By Nikki Tait

C.E. Heath International, the Australian general insurer, yesterday announced plans to merge its operations with those of the CIC Insurance Group, another Australian insurance operation ultimately controlled by Winterthur Swiss Insurance Company.

It claimed that this would create Australia's third largest quoted insurer, measured by market capitalisation.

In consideratlon for the acquisition, Heath will issue 95m new shares to CIC Holdings, which is 67 per cent-owed by Winterthur Swiss Insurance Company.

Heath also plans to sell a further 22 per cent stake to CIC Holdings, et a price of A$1.50 a share.

If the deal gains necessary approvals, Winterthur – via CIC Holdings – will bold a 48.2 per ceot stake in Heath.

Heath, which listed in 1992 and is unrelated to the UK group with a similar name, said it believed the Australian insurance industry oeeded further rationalisation, and that the larger, combined operation would be better able to capitalise on new opportunities.

The two operations' gross written premium, oo a pro forma basis, would be more than A$1bn (US$746m).

● National Mntual, the Australian life insurer which is attempting to persuade policyholders to approve a plan which wonld see tbe group demutualise, and to accept a A$1.1bn casb infusion from France's Axa in return for a 51 per cent stake, said yesterday it was "far from complacent" about obtaining the necessary level of support, but that it was still "confident" this would be forthcoming.

At least 75 per cent of voting policyholders must be in favour for the scheme to go through. Documents explaining the scheme will be sent out in a couple of months.

Mr Clande Bebear, bead of Axa, said the combination of potential growth in the Australia superannuation market and the opportnnities in Asia made the deal attractive.

BHP coal arm to buy HVCC, spend A$185m

By Nikki Tait

BHP Australia Coal, part of the big resources group, said yesterday it was acquiring Hunter Valley Coal Corporation for an undisclosed sum and planned to invest A$185m (US$138m) in developing HVCC's main asset, the Mount Owen coal mine.

HVCC is being sold by two private-sector owners, Mr John Horseman and Mr Brian Marheine. The Mount Owen mine produces about 1m tonnes of thermal coal a year through an open pit operation.

BHP said its A$185m investment was expected to lift production to 3.5m tonnes a year. The indicated resource is about 240m tonnes, with 107m indicated as a recoverable reserve. The initial mine plan is based on open pit mining of 46m product tonnes.

The buyer said the deal provided an opportunity to move into the Hunter Valley coal region, in New South Wales, and improve its supply role to Asian thermal coal customers. The growth in the power industry in south-east Asia is seen by analysts as one of tha most positive factors for the Australian coal industry at present.

Marubeni writes off Y45bn for closed units

By Emiko Terazono in Tokyo

Marubeni, one of Japan's biggest trading companies, yesterday said it would write off Y45bn ($542m) in the business year to last month because of extraordinary losses stemming from liquidation of overseas and domestic subsidiaries, and declines in the value of its property and securities holdings.

As a result, the gronp revised down its earnings estimates for the past fiscal year.

The company, which initially estimated unconsolidated recurring profits – before extraordinary items and tax – of Y38bn and net profits of Y13bn, oow expects pre-tax profits of Y35bn, down 7.5 per cent from the previous year, and net profits of Y8bn, up 27.4 per cent.

Unconsolidated revenue is expected to fall 4.3 per cent to Y14,500bn. Consolidated after-tax earnings were revised down to Y9bn.

Marubeni said it suffered a Y20bn loss in the liquidation and restructuring of its construction, synthetics, and other subsidiaries in Japan and Europe.

The company posted losses of Y7bn on real estate in Tokyo and Osaka, purchased during the asset "bubble" in the late 1980s.

A fall in the stock market forced the group to write off Y7.5bn during the first half of the fiscal year. Special losses on its securities portfolio for the year will total Y15.5bn.

However, Marubeni managed to book extraordinary profits of Y7.5bn by selling property to its oil-tank operator subsidiary. It said that in spite of the write-off, the annual dividend would remain unchanged at Y6 a share.

Samsung set to invest $4bn in China by 2000

By John Burton in Seoul

Samsung, South Korea's biggest conglomerate, plans to invest $4bn in China by 2000, Mr Lee Kun-hee, chairman, said yesterday.

China has become the largest area for foreign investment by South Korea, accounting for more than half of Korean overseas investment, since Beijing and Seonl established diplomatic ties in 1992. Several other Korean groups, including Ssangyong, have announced Chinese investment plans on a similar scale to Samsung.

Under the programme, Samsung will spend $2.5bn to establish wholly-owned production facilities. The investment includes $1.6bn for electronics, $300m for textiles, $200m for chemical products and $400m for distribution and other industrial facilities.

Samsung also plans to spend $1.5bn on joint-venture deals, including the creation of sales networks.

Samsung has so far invested $100m in China and operates eight factories. The new programme includes projects previously announced, such as electronics complexes in Tianjin and Suzhou.

Sony rethinks strategy in emerging markets

Sony, the Japanese electronics and entertainment gronp, is focusing on raising production and improving its sales effort in eight emerging markets in the medium to long term because of changes in the world alectronics market and the strong yen, Reuter reports from Tokyo.

Sony said the importance of the aight markets – India, Indonesia, China, Vietnam, Mexico, Brazil, Argentina and Sonth Africa – in terms of expected global sales of audio-visual eqnipment bad prompted it to revise its production and sales structures in those areas. The persisteot rise of the yen was another incentive to reorganise.

By 1997, Sony plans to have lifted its colour television output from its Brazilian plant to 500,000 sets a year from 200,000. The development will cost Y1bn ($12m), it said.

In Indonesia, Sony applied last month for government approval to begin producing colour televisions and audio equipment. In China, it is studying bow to exteod the existing business of producing pickups for compact disc players and 8mm video camcorders.

COMPANY NEWS: UK

Wembley refinancing includes £63m rights

By Tim Burt

Wembley, Britain's self-proclaimed "Venue of Legends", yesterday blew the final whistle on a protracted refinancing by announcing a £62.5m rights issue and £53.7m debt-for-equity swap.

As part of the restructuring, it will issue an unprecedented 3.13bn new ordinary shares and a further 911.3m to lenders owed £141.3m. Wembley would then have 5.54bn shares in issue – equivalent to 69,250 for each seat in the north London stadium.

Wembley said the alternative could be a controlled receivership and possible break-up of the group, which includes greyhound tracks in Britain and the US. "The crucial point of this exercise was to save the company." It has spent almost a year negotiating refinancing terms to avoid that possibility.

The debt-for-equity swap should halve net borrowing to £72.4m, reducing gearing from 324 per cent to 49 per cent.

Wembley said it would also sell non-core businesses and dispose of surplus property. It also announced £15.6m of exceptional items and £17.8m of losses on disposals.

Together with interest payments of £14.9m, those charges undermined a 34 per cent increase in profits on continuing operations to £11.8m last year, and left the group with pre-tax losses of £35.9m.

Wembley claimed the write-downs and exceptional costs would leave it better placed to exploit rising demand for venue management.

Existing shareholders, who saw the shares reach 157p in the late 1980s, will receive new ordinary shares at 2p. The group's 22-bank lending syndicate will receive shares at 4.6p. Preference shareholders have agreed a 30-for-1 conversion. The shares, suspended last month, fell by 3¼p to 2¾p.

Tie Rack growth abroad

By James Whittington

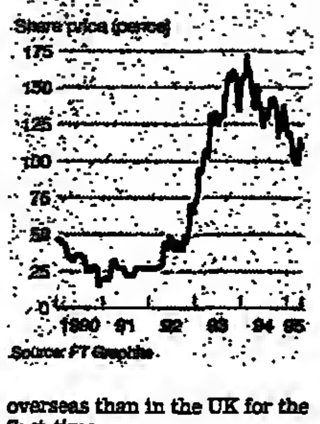
Continued expansion overseas and new shop openings helped Tie Rack, the neckwear and fashion accessory retailer, improve annual profits by 11 per cent.

Pre-tax profits rose from £6.67m to £7.41m on the back of turnover 7 per cent ahead at £83.9m (£78.2m).

The group's international presence was strengthened from 14 to 19 countries at the end of the year to January 29, with the total number of shops increasing by 28 to 329. Since then another 11 outlets have opened in three more countries, giving Tie Rack more overseas than in the UK for the first time.

Tie Rack

Share price (pence)



Source: FT Graphite

Overseas sales grew 14 per cent to £34.7m (£30.5m), while turnover in the UK edged ahead 3 per cent to £49.3m (£47.6m). Like-for-like sales dropped by 5 per cent, partly because the group phased out its more expensive silk lines.

Operating profits rose 11 per cent to £6.84m (£6.16m), with strong gains on the Continent, where profits were lifted 38 per cent to £2.69m (£1.95m).

The US continued to incur operating losses as shops were relocated from shopping malls to airports. Outlets in Canada had a £98,000 deficit (£28,000 profits) after a mild winter and pressure on margins with a weak Canadian dollar.

Alliance Resources raises £7.2m and buys

Alliance Resources, tha US-based oil and gas exploration and production company, has announced a placing and open offer to raise £7.2m on an 8-for-9 basis at 6p per share.

The company is also acquiring a portfolio of oil and gas properties in Texas, Colorado and Oklahoma from North American Gas Investment Trust for about $3.1m (£1.93m) in shares and cash.

The $1.3m cash element will be funded by the offer and placing, and the remainder by the issue of 18.4m new ordinary shares at the placing price.

Alliance will also use tha funds raised to repay borrowings and finance development of its Louisiana interests.

Mr John O'Brien, chief executive, said the fund-raising and the acquisition would considerably strengthen the company'a position both in terms of the quality and breadth of its reserves and its ability to develop them fully.

LEX COMMENT

BBA Group

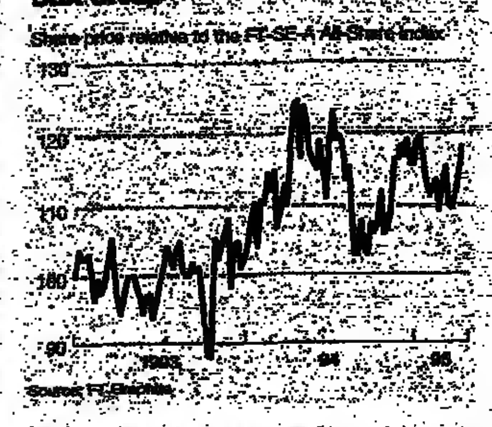
Mr Roberto Quarta has not tarried since he took over as chief executive of sprawling engineering group BBA in late 1993. He has made £312m of disposals, and his target of achieving 10 per cent profit margins by 1996 will be easily achieved this year. The group has lowered its exposure to the highly cyclical automotive industry, and now focuses on four core areas, where it has strong market positions with potential for global expansion.

This is all well and good, and Mr Quarta has been rewarded with a share price which has outperformed the market by about 10 per cent since he joined. Operational efficiency has been improved, but in many ways he has done the easy part in the BBA turnround. Having cut off the dead wood, the pressure is on for an acquisition. The sale of Automotive Products leaves BBA's balance sheet with more than £100m in net cash; and the return on that cash will be far lower than the earnings from even a low margin business such as AP.

Earnings will be diluted by more than 5 per cent by this disposal, leaving the shares on a prospective price-earnings ratio close to 20 per cent higher than the market's average. That represents a lot of optimism that Mr Quarta will go out and make a profitable purchase; but, given the current flow of cash into UK industry, he may face strong competition for acquisitions. He has not put a foot wrong yet, but there is a limit to how much investors should take on trust.

BBA Group

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

Savoy jumps to £4.23m

By Scheherazade Daneshkhu
Leisure Industries Correspondent

Savoy Hotel yesterday restored its dividend to the 1992 level after it was halved last year, as it announced a leap in 1994 pre-tax profits from £725,000 to £4.23m.

The advance at the group – which includes Claridge's and the Connaught – came despite £1.8m exceptional restructuring costs. These included £500,000 in compensation and other benefits to Mr Giles Shepard who was asked to resign in September.

His departure, and that of company secretary Mr Rowland Leigh, came after Forte, the UK's largest hotels group, strengthened its influence over the board. Forte has 68 per cent of Savoy'a shares and 42 per cent of the voting rights.

The costs were partly offset by an exceptional rate rebate of £1.2m on the London hotels.

Mr Ramon Pajares, who replaced Mr Shepard as managing director, said the results benefited from the better trading conditions enjoyed by London hotels last year.

Sir Ewen Fergusson, chairman, warned, however, that "substantial capital investment" would be required in the next two to three years to improve the hotels. Cash would be raised by selling the Lancaster hotel in Paris, which is on the market for £11m.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Bodycote Intl	Yr to Dec 31	84.3	(75)	15.8♥	(11.8)	18.6	(14.1)	3.6	July 3	3.25	5.75	5.25
Cobham	Yr to Dec 31	211.4	(185.4)	22.8♠	(21)	19.26	(18.23)	5.82	July 7	5.1	8.32	7.56
Dewhirst	Yr to Jan 13	247.3	(214.1)	17	(9.59♠)	8.91	(6.08)	2	July 1	1.05	2.65	1.45
Friendly Hotels	Yr to Dec 25	38.8	(32.4)	3.65	(2.61)	8.7	(6.3)	3.5	Aug 18	3.5	5.7	5.7
New Ireland ♣	Yr to Dec 31	-	(-)	8.5♠	(8.89)	33	(43.6)	11.48	May 31	10.31	15.31	13.81
Savoy Hotel	Yr to Dec 31	92.1	(88.3)	4.23	(0.725)	10.7	(1.8)	7	May 26	3.5	7	3.5
Shorco §	Yr to Dec 31	8.41	(7.11)	0.58	(0.28)	8.3	(4.3)	2†	July 7	1.87*	3.8	3.47*
Tarmac	Yr to Dec 31	2,510	(2,569)	107.2	(43.1L♠)	7.8	(11.3L)	2.5	July 10	2.5	5.5	5.5
Tesco	Yr to Feb 25	10,877	(9,247)	551♠	(435♠)	18.8	(15.2)	5.8†	July 3	5.3	8.6	7.75
Tie Rack	Yr to Jan 29	83.9	(78.2)	7.41	(6.67)	9.34	(8.04)	2.25	July 25	1.75	2.25	1.75
Villiers	6 mths to Jan 31	1.55	(0.795)	0.482	(1.86L♠)	0.38	(1.83L)	-	-	-	-	-
Wembley	Yr to Dec 31	128.7	(150.5)	35.9L♠	(65.7L♠)	15.2L	(26.6L)	nil	-	nil	nil	nil
Yale Catto	Yr to Dec 31	330.8	(290.5)	28.5	(18.2♠)	17.3	(11.8)	4.2†	July 5	3.65	7	6.2

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Gartmore Smaller	6 mths to Feb 28	244.2	(266.8)	0.293	(0.414)	2.1	(2.9)	1.5	June 2	1.5	-	5.75
Henderson Highland	Yr to Feb 28 ☆	111.7	(131.9)	1.58	(1.81)	6.05	(6.18)	1.45	May 23	1.4	5.7	5.6

Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. §USM stock. ♣Irish currency. *Equivalent after allowing for scrip issue. ☆Comparatives restated.

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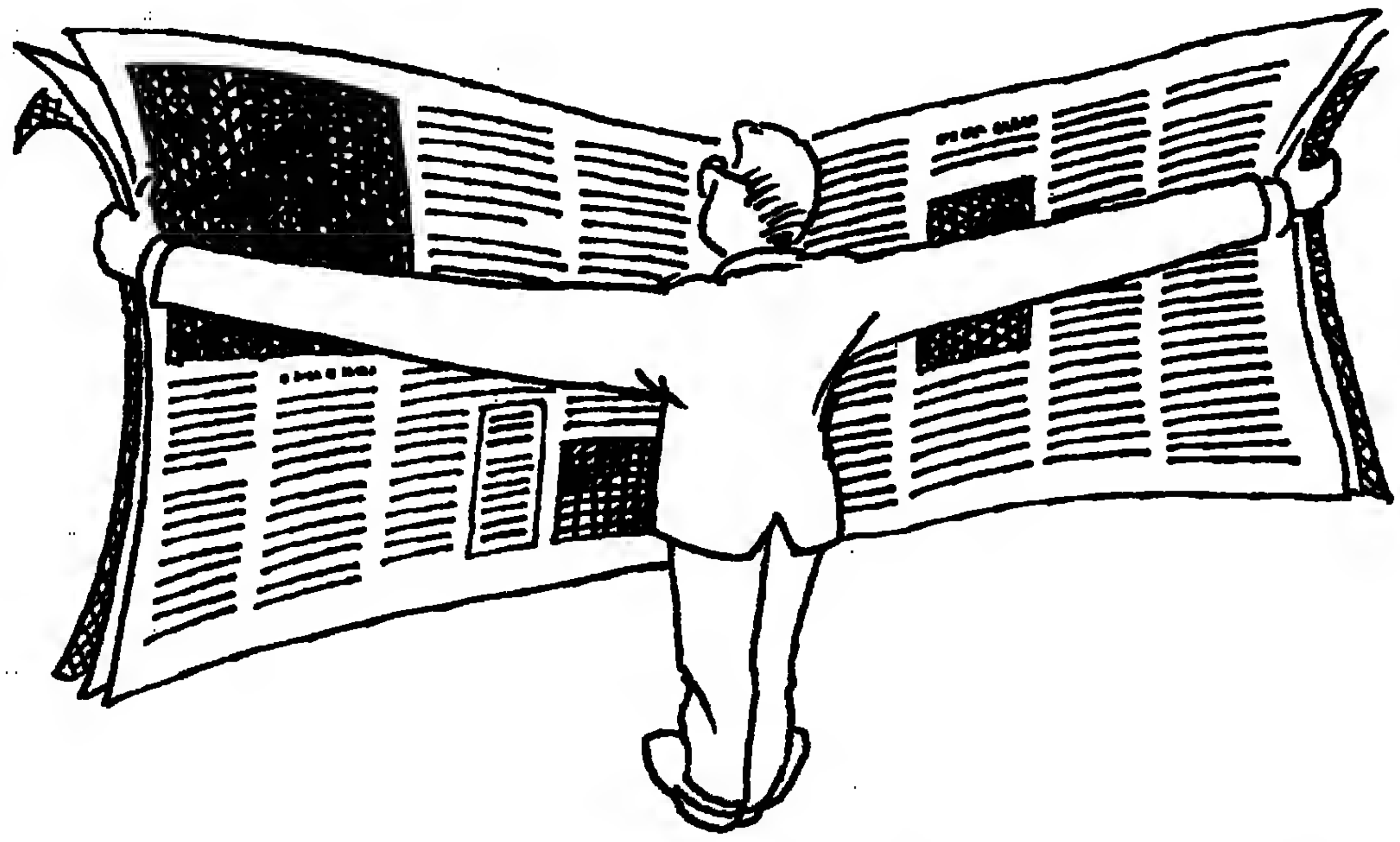
How do you keep up with an expanding Europe?



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Name

Job Title

Company

Nature of business

Address

Postcode Telephone

Country

No. of employees ☐ under 50 ☐ 50 to 100 ☐ over 100

I already use online ☐ Yes ☐ No

FT PROFILE
BUSINESS INFORMATION

PART OF THE FINANCIAL TIMES GROUP

Grocer plans to open 20 stores in Hungary over the next five years

Tesco increases to £551m

By Neil Buckley

Tesco, the UK grocery retailer, plans to open 20 supermarkets in Hungary over the next five years, making it the first large UK retailer to open stores in eastern Europe.

The news came as Tesco – which, according to one measure, ousted rival J Sainsbury last month to become Britain's biggest grocer by market share – reported a 12.7 per cent rise in pre-tax profits to £595m, before exceptional items. It said 5m customers had signed up for its new loyalty scheme, Clubcard.

Post-exceptional profits grew from £435m to £551m, after charging £44m this year connected with property disposals and the acquisition of Wm Low, and £93m property costs last year.

Last year Tesco bought a majority stake in Global, the Hungarian food retailer, and opened a Tesco outlet in Hungary in November. Sir Ian MacLaurin, chairman, said results from the store were encouraging and Tesco had ambitions to open 20 more.

Global contributed £1m operating profits on £16m sales last year. Tesco also earned £16m operating profits on sales of £430m in Catteau, the French supermarket chain acquired two years ago.

Sir Ian said further moves into continental Europe and emerging markets were possible. He was optimistic for growth in the core UK market although competition remained intense, and tighter planning restrictions were making it increasingly difficult to open new superstores.

"I don't think we share certain people's pessimism that the UK market is blown," Sir Ian said. "We have devised a market plan which we have stuck to rigidly."

Marketing initiatives such as Clubcard and "New Deal" price cuts on popular items had fended off competition from fast-expanding discount chains. They helped Tesco to report a 2.2 per cent rise in like-for-like sales before 2.1 per cent inflation, and an 8.6 per cent uplift from new stores.

New Ireland lower after provision

By John MacManus in Dublin

New Ireland Holdings, the Dublin-based life and general insurer which is 83.5 per cent owned by the French insurance group UAP, has reported a 25 per cent fall in full-year pre-tax profits to I£6.5m.

The figure was struck after provisions of I£2.21m (nil) for unrealised losses on Irish Government gilts and investments in the general insurance side of the business; underlying operating profits for the year to December 31 were flat at I£8.72m (I£8.69m).

Operating profits at Irish National, the general insurance subsidiary, fell from I£3m to I£2.4m, despite a reduction in the underwriting deficit from I£7.3m to I£3.29m. Investment returns fell from I£11m to I£6.13m.

Net premium income at New Ireland Assurance, the life and pensions subsidiary, grew by 33 per cent to I£178m. The embedded value of the life subsidiary stood at I£84.1m.

CE Heath sells rest of Australian arm

By Patrick Harverson

CE Heath, the insurance broking group, closed the book on its Australian underwriting experience yesterday when it agreed to sell its remaining stake in its Sydney-based CE Heath International (HIH) offshoot to Winterthur, the Swiss insurer.

CE Heath will sell its 22 per cent stake in HIH to CIC Insurance, a Winterthur subsidiary, for about A$68m (£29m) after CIC has reversed into the Australian company.

The sale almost completes CE Heath's withdrawal from the underwriting business. All that remains is for the group – which will now concentrate on its core businesses of broking and computer services – to sell Lloyd's New York, its small US underwriting associate.

CE Heath's Australian-based underwriting business has incurred losses particularly on aviation reinsurance. Last year HIH reported a loss before tax and exceptionals of A$5.6m.

AAH promises savings

By Peter Pearse

AAH, the pharmaceuticals wholesaler and retailer, yesterday said the rationalisation programmes of its core healthcare businesses would result in cost savings "of at least £14m from 1996-97".

This information was the main plank in AAH's second defence document, issued to counter the hostile £377.4m bid from Gehe, the German pharmaceuticals wholesaler. The shares rose 1p to 435p, against a bid price of 420p.

AAH said cost savings within the UK wholesaling side would be at least £8m in 1995-96, rising to £10.5m in 1996-97, "when a further £2.5m by way of gross margin improvement will also be achieved". There would also be £1m of overhead savings from the retailing side.

Mr John Padovan, chairman, said: "The pain of reorganising had been endured, though there had been no real benefit yet."

Some 70 per cent of AAH's wholesaling turnover is for prescription drugs, where costs continued to rise. However, the group is paid on a fee basis, leading to pressure on margins.

■ SPIRITS, WINES AND CIDERS – By Roderick Oram

Guinness advance gives needed boost to sector

Results season Roundup

Thanks to stronger than expected profits from Guinness, the spirits, wines and cider sector has been one of the better market performers during the results season.

Guinness' shares jumped some 50p to about 465p on news of a 5 per cent rise in pre-tax profits before exceptionals to £915m. Moreover, management was more confident about volume and price trends than it has been for a couple of years. By far the largest stock in the sector, it pulled the whole industry with it.

But a large chaser of caveats must be served with every slug of enthusiasm for Guinness and the rest of the spirits stocks. Guinness' spirits profits were flat at £700m. The group uplift came from an 8 per cent rise in brewing profits to £257m and a £58m drop in finance charges to £130m.

Sales of Johnnie Walker Scotch, a principal target in its brand building exercise for seven years, rose 10 per cent to 10.5m cases.

However, life is still extremely tough in mature markets. Drinkers are showing only the faintest signs of a post-recession willingness to drink more, trade up to higher quality brands or even pay more for their current drinks. Spirits profits fell in the US and UK but, on the positive side, emerging markets contributed more than 10 per cent of profits for the first time.

More disturbingly, there are some indications that Guinness is finding the relaunch of Bell's, the leading Scotch in the UK market, an uphill battle. Bell's appears to have dropped from its customary slot as the second most expensive main brand after Famous Grouse to third behind Teacher's.

Moreover, Highland Distilleries and Allied Domecq have pushed through price rises on Grouse and Teacher's since the beginning of the year while Guinness has not, thus absorbing higher packaging costs and excise duties.

The biggest shock of the results season was the performance of Highland Distilleries. Its interim pre-tax profits were barely ahead at £23.7m as it lost momentum in both export and domestic markets. Good growth in both had helped it to outperform the sector strongly for a number of years.

It said special factors slowed the rate of export growth to 5 per cent. Analysts are less certain, however, that it will return quickly to its trend of 15 per cent. Its shares have fallen by a fifth to about 350p since the beginning of the year.

More disturbingly, Grouse's UK market share slipped from 15.8 per cent last August to 13.5 per cent. The only growing segment of the UK market is cheap tertiary brands which increased their volume by 18 per cent over the past year.

The pricing pressures in the UK market were underscored by Burn Stewart, a leading producer of own-label Scotch. Its interim pre-tax profits were down 18 per cent.

All the producers of branded whisky spend large sums on building their brands but the pay-off will be meagre unless prices rise.

As Highland warned with its results: "The future health of the industry requires the discipline to continue to implement these longer-term strategies and forsake the transient gains of short-term trading policies."

NEWS DIGEST

Friendly Hotels improves

Friendly Hotels, which operates serviced offices and 30 hotels in the UK, France, and Denmark, continued to improve with a 40 per cent advance in pre-tax profits for the year to December 25, up from £2.61m to £3.65m.

Most of the improvement in profitability cama from the hotels side.

Fyffes buys in Spain

Fyffes, the Dublin-based fruit and vegetable distributor, has acquired, through its Spanish subsidiary, EurobananCanarias, a majority shareholding in Grupo Angel Rey.

It operates from Madrid and in 1994 had sales of I£25m and net assets of I£1.5m.

The acquisition creates the largest trading company within the fruit and vegetable sector in Spain.

Heywood Williams

Shares in Heywood Williams Group fell 17p to 243p after Mr Ralph Hinchliffe, chairman, told the AGM that 1995 was expected to see "modest, if not spectacular progress".

Difficult UK trading conditions still prevailed for the group – which makes aluminium, plastic and glass products for the construction and car industries – and these were expected to continue.

The group had a strong first quarter in the US, but he warned that growth rates might now begin to slow. European operations had made a reasonable start.

Drayton Far Eastern

At Drayton Far Eastern Trust's AGM shareholders approved in principle the board's proposal to divide the company's assets into two new trusts, Invesco Tokyo and Invesco Asia.

Correction

Richbell Holdings

A report in Saturday's FT stated that Richbell Holdings, which has been named as a defendant in a lawsuit filed by Northern & Shell, was planning a stockmarket flotation. In fact it is Richbell Strategic Holdings, a subsidiary of Richbell Holdings, which is planning a flotation. Richbell Strategic Holdings is not a party to any of the proceedings involving Northern & Shell.

SCHNEIDER SA

SOCIÉTÉ ANONYME
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Registered office:
64/70, rue Jean-Baptiste-Clément
92100 BOULOGNE-BILLANCOURT
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NOTICE TO THE HOLDERS OF THE 2 PER CENT GUARANTEED EXCHANGEABLE BONDS DUE 2003 OF SQUARE D COMPANY

In the event of the merger of Schneider SA with Spie Batignolles, the Board of Directors of Schneider SA in its meeting held on March 14, 1995, decided to suspend the right to exchange the bonds during a period of ninety (90) days beginning the 28th of April 1995.

Dairy Farm International Holdings Limited
Incorporated in Bermuda with limited liability

Payment of final dividend for the year ended 31st December 1994

A final dividend of US¢4.35 per ordinary share will be payable to Shareholders on the register of members at the close of business on 24th April 1995, subject to approval at the Company's Annual General Meeting. The share registers of members will be closed from 25th to 28th April 1995, inclusive.

A dividend at the rate of 6.5% per annum on the Company's outstanding convertible cumulative preference shares will be payable on 10th May 1995 to preference Shareholders registered at the close of business on 2nd May 1995. The register will be closed from 3rd to 9th May 1995.

By Order of the Board
R.C. Kwok, *Company Secretary*
7th April 1995

Hongkong Land Holdings Limited
Incorporated in Bermuda with limited liability

Payment of final dividend for the year ended 31st December 1994

A final dividend of US¢8.00 per ordinary share will be payable to Shareholders on the register of members at the close of business on 24th April 1995, subject to approval at the Company's Annual General Meeting. The share registers of members will be closed from 25th to 28th April 1995, inclusive.

By Order of the Board
R.C. Kwok, *Company Secretary*
7th April 1995

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FINANCIAL TIMES SURVEY

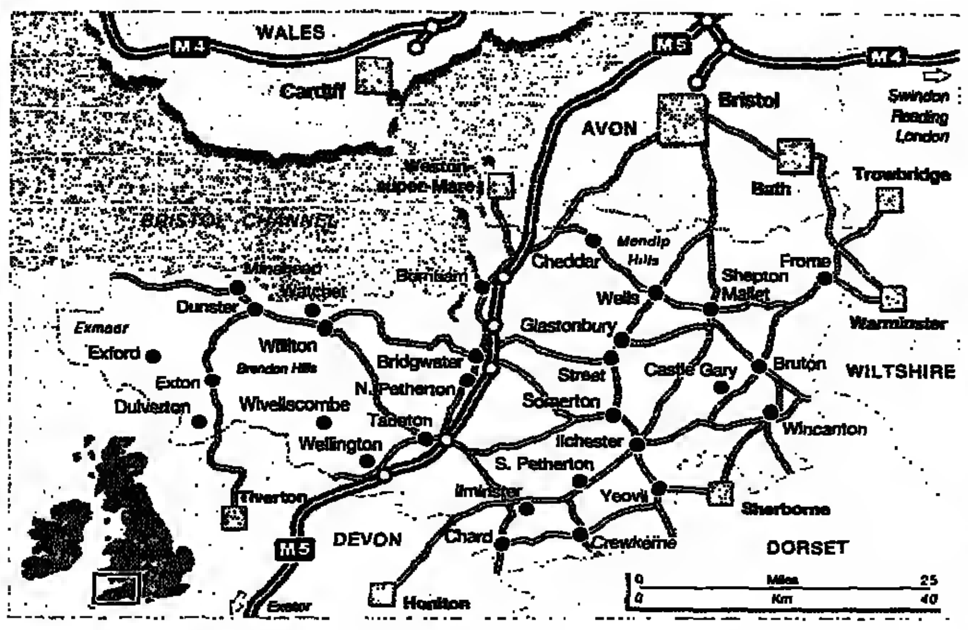
SOMERSET

Relocation opportunities for office-based businesses: Page II

Westland Group leads a diverse range of local manufacturers: Page III

Wednesday, April 12 1995

Cheddar, near the spectacular limestone gorge in the Mendip Hills. The famous Cheddar cheese – now enjoyed in many parts of the world – was first made here in the 12th century and aged in nearby caves *Picture: Stanley Lewis*



The RAF has placed a key order for a variant of Westand's EH101 utility helicopter. In the foregound is the Rolls Royce RTM 322 engine

Seeking the right balance for economic growth

As Somerset intensifies efforts to attract more inward investment and promote itself as an ideal location for business, the balance between protecting the rural environment and economic growth is vitally important. Surprisingly, perhaps, Somerset has a higher manufacturing base than the UK average, reports Roland Adburgham

As motorists drive south down the M5 motorway into Somerset, the road side signs are evocative: Cheddar Gorge, Wookey Hole, Wells Cathedral, Glastonbury Tor, King's Sedgemoor Drain, River Parrett and Exmoor.

If that conjures a bucolic image, there is another. As they pass Bridgwater, drivers may notice an Argos distribution centre and the modern fac tory of HIS, manufacturer of window systems. At the junction near the county town of Taunton, a new development includes the headquarters of health insurer Western Provident Association.

Somerset is regarded as a rural county best known for cricket, cheese and cider, a pleasant but sleepy place, preoccupied by issues of hunting and travellers' camps. There is another aspect: it is a fast-growing county with a higher manufacturing base than the UK average, and determined efforts are being made to promote its virtues as a business location.

Internationally-known names include C & J Clark, the shoe maker, and Westland, the helicopter group. Although manufacturing jobs have been shed as a result of the recession and defence cutbacks, Westland received a crucial boost last month with the order to supply the Royal Air Force with its EH101 helicopters.

Mr Pat Lee, south-west chair man of tha Confederation of British Industry and a director of Wincanton, the Somerset-based transport group, says: "Order books in the county have picked up and there is all the evidence of a genuine recovery, and a solid one based on exports rather than consumer demand. In common with other counties, people are still ner vous and don't feel as good as they should, but it bodes well."

There is concern, however, that the popularity of Somerset as a place to live is creating long-term pressures. During the 1980s, inward migration increased the population by 9 per cent and the forecast is for a similar rise in this decade. The environment department, in its planning guidance, has indicated a need for 50,000 new homes between 1991 and 2011.

Despite the popularity of Somerset for retirement, less than a quarter of the newcomers in the 1980s were pensioners. Unemployment is lower than the south-west average and stood at 7.1 per cent in February, or 15,474 people, compared with 8.4 per cent a year previously. But, with the working population rising, there is a need to create jobs not only for today but tomorrow.

For this reason, the Somerset Economic Partnership was launched last year to devise a strategy for job creation and promote a positive business image for the county. It is backed by the local authorities, training and enterprise council, chamber of commerce and industry, and has representation from the CBI and Trades Union Congress.

The partnership is linked with the West of England Development Agency, set up this year by five counties to seek inward investment. Both bodies are chaired by Sir Michael Lickiss, former managing partner of Grant Thornton, the accountancy firm. He says: "If trends continue, in five or six years' time, unless there is a positive creation of jobs in Somerset, there will be 25,000 people looking for work for whom there are no jobs.

"Either people will go some where else to get jobs, in which case we will become a geriatric county with all the pressures that has, or they're all going to stay around, in which case there will be an escalation of tha problems you get with idle hands. Or you can do some thing about it in relation to jobs.

"I think those are the three stark choices. If in the process of creating those jobs, we have to have some change, surely that is a much better alternative than the others?"

He knows the partnership has a hard task of persuasion – "the natural response in Somerset is to say, 'Yes, we want to see more jobs created, we don't want unemployment – but we don't want the environment harmed in any way.' People want improvement but don't want change."

Mrs Sylvie Dare, chief executive of Somerset chamber of commerce, comments: "There is a very big awareness of environmental issues in the county and that does not always sit comfortably with business in a thriving economy."

Mr Lee agrees: "There is a strong 'not-in-my-backyard' element and people continually tell me they have great difficulty in winning planning permission to expand or locate. We have to make it easier to win new businesses."

Somerset is a stronghold for the Liberal Democrats, who attach high value to environmental issues. Mr Paddy Ashdown, the party leader, is MP for Yeovil and, in 1993, his party won control of the county council from the Conservatives.

Although the other local MPs are Tories, they helped persuade tha government to reject proposals which would have seen the council and five district councils replaced by three unitary authorities.

The Tory MPs have also supported the county council over its attempts to raise the government's spending cap on its budget to mitigate the impact on schools. Mr John Major, the prime minister, was left in no doubt of the strength of local feeling when he visited Taunton last week.

Mr Chris Clarke, leader of the council, found the prime minister willing to listen. He believes there also needs to be a better dialogue, within the county, between the local authorities and business – "the balance between protecting the environment and economic growth is critically important," he says. "Peopla choose to come here because of the environment. We have to protect that environment while generating jobs. It is a very serious challenge."

Somerset has won little investment from overseas and Sir Michael says the partnership is not seeking to attract large-scale projects – "we believe small operations would be right for Somerset and would protect and enhance the diversity here."

There are no fewer than 17,000 VAT-registered businesses but less than 2 per cent employ more than 100 people. This month, Somerset Tec is backing the setting up of a Business Link network to provide companies with one-stop sup port services.

Mr Roger Phillips, chief exec utive of the Tec, sees a selling point of the county is that its population centres have at least one company with a nationally-known name, such as Cuprinol, the wood-care company, and Relyon, the bed manufacturer.

"That allows us to see economic and social cohesion emanating from them," he says. "That gives some pedigrea for inward investors. There is a rich seam of engineering, design and innovation. There is a culture of 'entrepreneurialism' with a whole 'fist' of very good enterprises, ranging from component manufacture to food processing."

Mr Lee adds: "There is an incredible number of go-ahead companies which provide a tremendous base for anyone who wants to set up here. One of the best-kept secrets in Somerset is the sheer diversity and skills of these small contractors."

Mr Clarke, stressing the need to train people for jobs to replace those lost in manufac turing, wants Somerset to have an open-access university. This is one way in which the county could raise its profile. Another way, Sir Michael thinks, would be to have an international sports and con ference centre beside the M5 motorway – "the site would be superb."

Such projects might counter a tendency to think of Somerset as merely being en route to Devon and Cornwall, rather than a place to visit and work. Mr Clarke adds: "We need to promote Somerset better than in the past. I hope, with every one working together, in the future we can see a powerful Somerset presence."

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SOMERSET II

County well-placed to attract more office-based relocations

Service industries expand

Taunton is expected to grow as a service and administrative centre, writes Roland Adburgham

Mr Julian Stainton, the energetic chief executive of Western Provident Association, is flummoxed. He is trying to think of disavantages to the health insurer, the third largest in the UK, being based at Taunton.

The WPA is the most significant relocator in recent years to Somerset, moving in 1992 from three sites in Bristol to purpose-built offices beside the M5 motorway.

At last, Mr Stainton thinks of a possible disadvantage – if rail privatisation were to reduce services to London. But be finds it much easier to think of the advantagea – "there is a very well-educated and extremely good workforce in Taunton. We are highly selective employers and invest huge sums in training.

"For every job we have, there are hundreds who want to take it." A low staff turnover, he adds, is "a clear indication they like the work and like the environment."

When Mr Stainton arrived in 1987, the business in Bristol was on course to go out of business, imploding under the weight of its paper files, failure to respond efficiently to customers, and poor morale exemplified by a remarkably high staff turnover – "it was a complete sbambles with not a penny invested in training people," he says.

Since then, annual income has risen to £85m and WPA has recently gained the Investors in People training standard. A lateral organisation has been created and there is heavy investment in information technology. The association employs 250 people, more than two-thirds of them women, earning on average between £12,000 and £14,000 a year.

Mr Stainton gives three main reasons for the move from Bristol: traffic congestion in the city, lack of integrated public transport, and competition for staff from other insurers.

"We didn't need to be in the city centre – we have very few customers in off the street," he says. WPA considered sites around the west of England before settling on Taunton.

While WPA relocated from within the region, two other important moves to Taunton were by the Charity Commissioners and Treasury Solicitors. Service industries have been expanding in the county and account for about two thirds of all employment.

Somerset's overall labour force is 270,000 and, as elsewhere in the UK, female employment has been rising – in 1991 there were 130,000 women in employment, nearly as many as men. However, half the women were in part-time employment, compared with only one in 25 of the men.

Until the recession, there was strong growth in hotel and catering – tourism is an important local industry – and in retail distribution and edncation. Again as elsewhere, there has been a sharp rise in the numbers of 16-year-olds going into further education – in 1992, 67 per cent did so in the county. Somerset College of Arts and Technology at Taunton is one of the largest colleges in the south-west, with 11,000 students and 500 staff.

Another service sector with potential for growth is age care. The migration into the county of retired people means they account for two thirds of the net demand for housing. The county wants to attract more of the affluent retiring 'young,' with the demand they will also bring for professional and financial services.

So far, the county bas failed to follow the national trend in the rapid expansion of these services. The proximity of Bristol as a financial services centre creates less need for a large local network ann incomers have been few. One exception is the Taunton office set up in 1986 by Nelson Cobbold, a nationwide regional firm whicb offers a stockbroking and investment management service and advice for private clients and smaller companies.

Information technology means, though, that big-city location is becoming less important than costs. Taunton is expected to grow as a service and administrative centre, attracting companies such as Booking Services International, a botels and conferences reservations agency which is already based there. With a rail service to London in 100 minutes as well as the M5 motorway, the town is seen as well placed to attract more office-based relocations as cost pressures build up again in London and the south-east.

Taunton's position as the county town – which it has been for only 40 years – is reinforced by the reprieve of the county council from threatened abolition. The council, which is based there, is Somerset's largest employer with 15,000 staff.

Elsewbere in the county, Wincanton, the Unigate subsidiary which is one of the UK's largest transport and distribution companies, bas its national headquarters based beside the A303 trunk road – it was establisbed there originally because of its milk business. It employs over 300 people in the county.

A less traditional service is Orchard Commonications Design, in the beart of the county at Somerton. Orchard has set out to prove that, with the right skills and technology, even corporate communications companies can thrive away from cities. It has a national and international client list and, proving it lacks nothing in up-to-date techniques, its multimedia division has started work for a client on a virtual reality project.

Rise in milk prices erodes profits

Anxiety among cheesemakers

Somerset's cheesemakers are anxious. Considering the 20 per cent rise in raw milk prices since deregulation of the market last autumn and the 2,200 redundancies announced by dairy goods producer Northern Foods last month, however, anxiety may seem a modest show of emotion.

The reason for concern rather than panic is the belief that the turmoil caused by last year's rounds of bidding from Milk Marque, the successor to the Milk Marketing Board, will not be repeated in 1995.

"The price bid for milk is unlikely to fall, but milk buyers will take a saner view of what price they are prepared to pay this summer," says Mr Stephen Curtis, managing director of Horlicks Farms which makes mature and extra mature cheddar.

The problem last year, according to Mr Curtis and other cheesemakers in the county, was the system of indicative, and therefore nonbinding, bids for milk. Amid rumours of a milk shortage, this inflated demands for quantity and raised prices. This year, there are at least precedents for demand and confidence in supply.

Deregulation has already taken its toll. Mr Simon Oliver, chairman and chief executive of Mendip Foods, whose Frome processing plant cuts and packs 300 tonnes of cheese per week, has seen two of his small suppliers close their cheesemaking operations in the last six months. Mr Curtis is aware of three farmhouse cheese producers that have had to shut down. Understandably, small cheesemakers are less sanguine about the coming milk round than large companies such as Horlicks or Mendip. One worried family-owned cheddar-maker says: "We could have lived with even a 10 per cent price increase, but this 20 per cent hike has been the real cold shower treatment."

Mild cheddar producers, as opposed to mature or specialist cheese prodncers who add value through longer development periods, product presentation or distinctive recipe, have taken the worst knock on margins.

Assuming a cost of 25 pence per litre for raw milk on 10,000 litres to make one tonne of cheese, a tonne of mild cheddar comes in at £2,500, almost exactly the wholesale price. A rise in milk prices eroded any possible profit.

The trends in consumption away from mild to mature and extra mature cheddar, which in all its forms accounts for around 60 per cent of the UK cheese market, further unnerves producers of mild cheddar.

Things could be worse. Mr Oliver believes the foreign demand for milk powder and butter has soaked up much of the Irish Republic's capacity to undercut Somerset producers. This has given the county's producers a three-month stay of execution, he says, and by then the industry will be into the next round of bidding for milk.

In the meantime, all eyes are on the retailers. The shop price for cheddar is moving upwards, but not fast enough for the comfort of Somerset's producers. Mendip Foods reports that some of its mild cheddar suppliers claim prices have only covered replacement costs. For mature and extra mature cheddar producers such as Mr Curtis, whose cheese takes at least six months to make, and are therefore still selling cheese made with pre-deregulation milk, the incremental rise for mild cheddar sets a worrying precedent.

"Prices will go up," Mr Curtis expects, "bnt judging by what has happened to mild not sharply enough to offset the increase in raw material costs." This is partly because the retailing multiples are "hardly philanthropic institutions" and also, he admits, because consumers have come to expect ever-increasing value.

"Ultimately, something will have to give. Either retailers will put up their prices or we are going to see manufacturers go out of business," says Mr Curtis. That is one of his darker forecasts. Looking long-term, most large cheese producers and processors hope the recent turbulence in the industry is just the teething problems of deregulation.

Perhaps the most telling indication of that view was the response in Somerset to Northern Foods restructuring. Senior industry officials sided with the assessment of Mr William Waldegrave, minister of agriculture, that at root Northern's problems lay with "bad management" and deregulation was the scapegoat.

James Harding

Simon Oliver, right, chairman of Mendip Foods with the UK's trade minister, Richard Needham at the company's head office in Frome

Popular venue for summer visitors: the small town of Dunster, at the edge of Exmoor National Park, in western Somerset

Picture by Stanley Lewis

Big contributor to the local economy

Taunton Cider's changing image

Rumouts of Taunton Cider's departure from Somerset were greatly exaggerated. After the resolution of a planning disagreement over possible expansion of its Norton Fitzwarren site, just outside the county town, speculation that the company could move north to Avonmouth is refuted, *writes James Harding.*

"We've no intention of leaving the county, the home of good cider," says Mr Peter Adams, chief executive of Taunton, which with a market capitalisation of £150m is the largest quoted company based in Somerset.

"The West Country is the bome of cider, much more so than Hereford," be continues, in a not so oblique reference to Bulmers, Taunton's chief rival, whicb controls 45 per cent of tbe market compared witb Taunton's 35 per cent. In other ways, however, Taunton Cider has been shedding its Somerset affiliations. From source of input to packaging of final product, Taunton Cider is marked hy an international rather than parochial image.

The launch last year of a local orcharding scheme was seen as more of a community initiative than a drive for raw materials. Taunton still buys apples within a 40-mile radius of Norton Fitzwarren. But it is no surprise, considering the surplus of cider juice on the European market, that most of its raw materials come from the continent, particularly from Normandy and Brittany.

More striking than the sourcing of cider juice has been the drive in recent years to reinvent the finished product in the public eye. No longer the traditional West Country recipe for a good time and surefire hangover, Taunton has been at the forefront of promoting cider as a stylisb alternative to premium lagers and wine.

Mr Adams compares the development of premium packaged ciders with the revolution in tbe late 1970s wben cider became available on draught in pubs – "cider changed from being tbought of as a West Country rocket fuel like scrumpy to a long drink comparable with beer," says Mr Adams. "The next step has been to take advantage of the same forces that have sent premium lagers racing ahead."

Diamond White, a white cider launched in 1986, was in the vanguard of Taunton's diversification. Since then, the company has produced other imitators/competitors to beer and wine, most recently Diamond Ice, capitalising on the fashion for ice-cooled beers.

Last year, premium ciders accounted for 18 per cent of market volume, compared with 5 per cent five years ago. But Taunton's turnover for 1994 was £125.3m, only 2 per cent up on 1993, a marked slowdown in sales which had grown rapidly since 1990. According to Mr Adams, the emergence of a large volume low-cost cider market has acted as a brake.

In the last 18 months, Taunton has entered the market for "value for money" cider – "having taken quite a knock on margins," Taunton says it now controls a third of the market.

At either end of its product range, there is little to show Taunton's Somerset origins. But with estimates of its contribution to the local economy running into tens of millions of pounds, Somerset will be glad to see one of its flag-bearing companies looks set to stay.

Lorry-loads of apples arriving at the Taunton Cider plant

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MANUFACTURING

As diverse as the landscape

Industry benefits from a wide range of local manpower skills, reports **Roland Adburgham**

The roadsign, close to the stream at Chilcompton, warns "Ducks – Slow Down," as motorists approach the factory shop of Mulberry Company (Design). Inside the shop, there are racks of stylish clothes and the pungent smell of leather from an array of belts, bags and briefcases.

A short distance away is the factory itself, a utilitarian building painted matt green to blend into the surrounding farmland and where Mr Roger Saul, founder of the company, and his designers constantly add to Mulberry's range. A private company, Mulberry has become an international designer label with an up-to-date but classic English look, combined with best quality materials and manufacture.

This is at a price - briefcases cost over £400 - but Mulberry has grown despite the recession. This year it expects to generate worldwide retail sales of £60m to £65m. Leading markets include Japan, Germany and Scandinavia.

Mulberry employs about 400 people in Somerset, drawing upon a labour force traditionally skilled in leather work, a trade which has otherwise lost ground in the county. By the end of this year, C & J Clark, the shoe company, will have closed its factory at nearby Radstock with 600 redundancies – "it is an irony that Mulberry has been able to grow here because other leather-related industry has declined," says Mr Saul.

There are constraints for Mulberry in Somerset – there is not room at Chilcompton for planned expansion. Productivity has to counter lower labour costs in countries such as Portugal. But Saul comments: "Personally, I'm wedded to the county – we've built tremendous skills here and people feel deeply committed to our success."

Leather work in Somerset also continues with Pittards in Yeovil and Clark's itself, established since 1825 and still a leading employer. It has 1,500 staff at its Street headquarters and makes children's shoes at Shepton Mallet, where it employs 420 peopla, and at Ilminster, where it has 370.

Shoe-soling chemicals remain the main activity of ICI Polyurethanes at its UK commercial headquarters at Shepton Mallet, where it acquired Avalon Chemical in 1989, then part of Clark'a.

However, the range of manufacturing in Somerset is as diverse as its landscape. Leading companies in a variety of sectors are scattered around the county, helping to ensure the industrial base is not over-concentrated.

The biggest employer is Westland Group, based on a 350-acre site at Yeovil, where it has a labour force of 5,500. Westland lost its independence last year when taken over by GKN engineering group. But morale was boosted last month by an order from the Royal Air Force for 22 of its EH101 helicopters, which will secure many jobs for years.

"From a manufacturing point of view, we are as well placed here as anywhere," says Mr Christopher Loney of Westland. "There is a good skills base in the area."

The group's regional importance is shown hy its 200-plus sub-contractors in the south-west and about 50 local service providers.

Nearhy is Aerosystems International, a joint venture between Westland and Sema which has grown rapidly to £12m revenues last year. It believes it is the only company worldwide to specialise exclusively in software design for military and civil aircraft.

The company moved from New Malden in Surrey in 1989 and now employs 266 people. Mr Scott Roy, managing director, says operating costs are lower in Somerset and the quality of life, and lack of commuting problems, have led to much lower staff attrition.

Another important defence-related company near Yeovil is GEC-Marconi Naval Systems, which makes sonar eqnipment. A contrasting business in the area is Haynes Publishing, the motor manuals company. In 1994, it had record pre-tax profits of £5m with a strong performance by its US print plant, opened two years ago.

Roger Saul of Mulberry: world sales of quality leather goods with the classic English look may reach £65m this year

Relyon, the bed manufacturer at Wellington and one of Somerset's few quoted companies, also had a record year in 1994. It saw pretax profits of £5.81m on sales of £45.9m. Nearly a quarter of that turnover was accounted for by its subsidiary Photo-Scan, which sells closed-circuit television to shops and town centres.

Wellington has another leading company in Aerosols International, part of Swallowfield group and making cosmetic, toiletry and household goods. At Chard, there is the food processor, Oscar Mayer. At Wells, Clares Equipment makes products such as supermarket trolleys. Nearby, St Cuthbert's mill, owned by Inveresk, sells pre-impregnated papers and artists' papers in 33 countries.

Frome, in tbe north-east, has nationally-known names. The privately-owned Butler & Tanner is the country's largest printer of colour books – some 40,000 a day – and turnover will reacb an expected £37m this year. It employs 440 people locally.

Other big local employers include Cuprinol, the wood-care subsidiary of Williams Holdings which exports to 46 countries, and Mendip Foods, the wholesale cheese supplier. *(see report on facing page).*

At Bridgwater, there is a long-established manufacturing tradition. Last November there was a setback wben Flexicare Medical, making sterile packs, announced it would relocate to south Wales. But another Bridgwater company, Bairdwear, which makes underwear for Marks & Spencer, is expanding into a new factory.

Another growing company there is HIS, which makes PVC-U window systems. It relocated from Clevedon in 1987 and has since doubled its workforce to 200.

More than £2m has been invested in its plant and HIS recently launched a joint venture to build an Indian factory with Garware Synthetics of Bombay. Other locally-based companies include Courtaulds Films & Packaging and Brithene Films. On the nearby coast is Nuclear Electric's power station at Hinkley Point.

The county town of Taunton has two well-known quoted companies, Taunton Cider and Bridport-Gundry. The latter is one of Britain's oldest businesses and its subsidiary Pearsalls is one of the few manufacturers left in the lown centre. The county museum has a steam-powered beam engine, made in 1865, whicb was used at the factory until 1955.

Today, Pearsalls is a world leader in making silk for surgical sutures. Bridport-Gundry itself manufactures an array of technical textiles, finding new markets ranging from safety visors for aircraft overbead storage hins to cargo pallet nets.

Geoffrey Woods, the chief executive, came from the Midlands in 1993 and has been transforming what was a rather moribund company. He confirms manufacturers' general view of tbe Somerset lahour force: "I've found the people bere excellent," he says.

"Their attitude is the most conducive I've found towards being creative, involved and willing."

Tranquil scene: the Parish Church at Wells, at the foot of the Mendip Hills

Somerset residents are highly sensitive to environmental issues. Above: the picturesque bridge at Allerford

Picture by Stanley Lewis

Conflict will move keenly into focus over the next decade, reports **James Harding**

Tensions rise over the environment

There is an ominous echo when Somerset council officers discuss the county's environmental policy.

In one breath, they celebrate the recent return of the Somerset Levels as a haven for English wildlife, after the turmoil of peat production sanctioned 30 years ago "when people paid little attention to the environment and thought peat extraction would create jobs."

In the next, they accept the large limestone quarries in the Mendip Hills "bardly constitute sustainable industry but are crucial to the local economy."

Thirty years from now, the environment officers suggest, their successors may well be battling to rehabilitata the Mendips, just as they have struggled to restore the Levels.

Conflict between industry and the environment is a feature of the county. Tourism demands preservation of Somerset's natural assets, markets for aggregates and fertilizer encourage their extraction.

The competition will come more keenly into focus over the next decade. The council's draft structure plan, the strategy for planning until 2011, gives a commitment to sustainable development, favouring those who preserve the environment over thosa who exploit it.

Such an environmental bias is not surprising in Somerset, justly prond of its natural assets, with a coastline, Exmoor national park, four areas classified of outstanding natural beauty and six national nature reserves. The county has often been at the forefront of national campaigns to protect the countryside.

The efforts to keep the plough off Exmoor in the late 1970s, Somerset environmentalists claim, laid the foundations for the 1981 Wildlife and Countryside Act to protect areas of natural beauty.

The most recent triumpb for conservationists has been the rehabilitation of the Levels, the waterlogged peatlands close to the Bristol Channel.

In 1992, Fisons, the fertilizer manufacturer, relinquished its rights to 1,000 acres and handed over the land to the county for nature conservation. Since then, the rising water level has lured back many species of birds.

Tourism demands the preservation of Somerset's natural assets, but markets for aggregates and fertilizer encourage their extraction

The only disheartening element, from the conservationists' point of view, is their suspicion that Fisons handed back the land wben it no longer had a commercial purpose. If the same proves true for limestone quarrying, then exploitation of the Mandip sites may only cease in 30 to 40 years' time.

As well as concern at the landscape damage caused by the quarrying of carboniferous limestone, local environment officers have doubts about the long-term economic wisdom of the industry.

"Some suggest that in the future, the profits to be made from the limestone hills, one of the country's few natural aquifers, could well prove that the business of crushing the rock to build more roads is short-sighted," says Mr Ken Brown, assistant director of Somerset council's environment department.

The council's draft structure plan, bowever, acknowledges that "while rednctions in output of some minerals would hring environmental benefits, the reality is that Somerset will continue to be a supplier and in the case of crushed rock aggregate that will be the major share of regional supply."

After all, the total revenue of the Mandip Hills quarrying industry in 1993 was £150m, according to an assessment commissioned by the council and the Mendip Quarry Producers' Association.

That year 2,580 jobs were directly and indirectly dependent on the business, and significantly, around 20 per cent of the male semi-skilled and unskilled employment needs were met hy tbe quarrying industry. Employee incomes and company expenditure injected £40m into the Mendip economy.

In the light of the industry's substantial contribution to the local economy, Somerset has tempered its environmental ambitions.

"The question is how best to secure the supply in a way which minimises the impact on tbe environment," says the council.

When discussing sustainable growth in general, bowever, the council promises a more bolistic approach. The draft structure plan aims to "conserve and enhance the county's wide variety of natural and bullt environments and develop a more sustainable use of Somerset's resources."

How those aims shape up to specific economic considerations, sucb as the Mendip quarrying industry, is yet to be seen.

Taunton Riverside, a 52-acre retail, leisure and business park developed by Wilson Connolly and the biggest of its kind in Somerset

Increasing inquiries for office and industrial property

Motorway proximity is the key

It is three decades since the M5 motorway was built through Somerset, but only in recent years have its junctions started to sprout development sites ready to capitalise upon it.

North of the county, the transformation of the now-thriving Bristol port and construction of the second Severn bridge to Wales, due to open early next year, have re-awakened interest in industrial and commercial development alongside the M5 near to its connection with the M4.

In Somerset, the retail groups Argos and Gateway have recently opened regional distribution centres next to the M5. The hope is that, as the UK recovery continues, more companies will follow suit, recognising the county as a pivotal point for the south-west. The M5 corridor, running south from the Bristol region, is a direct link to Exeter and the far south-west.

Mr Richard Over, partner at the Taunton office of Bruton Knowles, property consultant, says it is only in the last seven to eight years that people have woken up to the fact that the west country beyond Bristol is a good option to the south-east and very accessible by road and rail.

In capitalising upon this asset, developers have been concerned at what they consider to be a sometimes negative attitude by Somerset planning authorities.

This year, Tarmac Structural Concrete won consent to develop an industrial site near the M5 after Taunton Deane borough council had refused permission. Mr Nick Engert of Clarke Willmott & Clarke, the law firm which acted for Tarmac, says: "Local need was a key point throughout this appeal."

Mr Kim Pedersen, of Chesterton, the property consultant, finds councils in general have become more interested in opening up sites – "there is a lot of sites with infrastructure throughout the county which are ready to come on stream," he says.

Mr Over says the strongest element of today's property market is close to the M5: "More and more, we see inquiries are coming for both offices and industry where proximity to the motorway is the main criteria. Modern office space near the motorway is achieving £12.50 to £13 a sq ft."

He points out, however, that developers are still very cautious of speculative building.

As the UK recovery continues, Somerset's pivotal location in the south-west may attract even more companies to open up regional distribution centres close to the M5 motorway

Mr Pedersen saya distribution inquiries tend to be contract-driven, wanting space for three or four years – "you can't persuade a developer to put up a new building for that and we haven't much existing space."

The Sedgemoor district, centred on Bridgwater, is the part of the county closest to Bristol port and the Severn crossing and is within a short driving time of Bristol airport. With a mainline railway as well, it is identified in the county's draft structure plan as strategically the best district for economic development.

The most northerly business park, near Junction 22, is Isleport, a 90-acre site for office, warehouse and industrial use with 68 acres available. It is a joint venture by Summerfield Developments, Scarborough Properties and Sedgemoor district council.

At the next junction, a 100-acre Express Park has outline consent for a regional distribution and production centre. Five miles further south, at junction 24, Argos and Gateway are on Huntworth business park. The park, developed by Summerfield, also has the purpose-built factory of HIS, which makes window systems.

Nearby are Showground and Carnival business parka. Showground, developed by Rockeagle, the Exeter-based company, is a business, warehouse and industrial park and homa for Bairdwear's new 70,000 sq ft factory. Carnival is being developed by Wickes Properties.

Further south, at junction 25, there is Taunton Riverside, a 52-acre retail, leisure and business park developed by Wilson Connolly and the biggest of its kind in Somerset. The Riverside project, with a Sainsbury's superstore as an anchor, was started in early 1991 and has only four acres still to be developed.

Adjacent is Heron Gate office park, a two-acre site developed by Wilson Connolly in association with Durngate Developments, which is a speculative scheme for small office units.

A separate scheme at junction 25 is Summerfield's office park of Blackbrook, home of Western Provident Association. Summerfield is also responsible for Chelston business park, 33 acres next to junction 26 at Wellington, and intended for offices, production and distribution.

The most spectacular recent development in Somerset, however, is not near the M5 but in the centre of the county. This is Clarks Village, the factory shopping complex at Street, with 37 outlats and a third phase planned.

Not far away, near Shepton Mallet, Royal Bath and West Society has upgraded its conference and exhibition space and, in May, will relaunch itself as Westex, able to take groups up to several thousand and with ample car parking on a 200-acre site. It came to national attention in February as the venue for a Frank Bruno heavyweight boxing match.

Also at Shepton Mallet is Mendip Business Park, with initially 30 acres for office, production and distribution and developed by Wayopen Estates.

In general, the property market in Someraet remains patchy. Mr Over says no particular pattern is established at present. For offices, there is two-tier market. Most inquiries tend to be for out of town, wanting open-plan modern space. In town, there is a lack of good office space and, although there is some demand for refurbished period property, it is at lower rentals.

Prime retail space has held up reasonably well, with Taunton sites peaking several years ago at £95 a sq ft and now averaging £75-85. But secondary retail sites have been affected by recession and there is much vacant space.

In the county's three main towns of Taunton, Yeovil and Bridgwater, there bave been fears about the impact of edge-of-town and out-of-town retailing on their high streets. The recession has made this hard to quantify, but Bridgwater appears to have suffered most and will face further competition when a regional shopping centre opens at Cribbs Causeway, north-west of Bristol.

Roland Adburgham

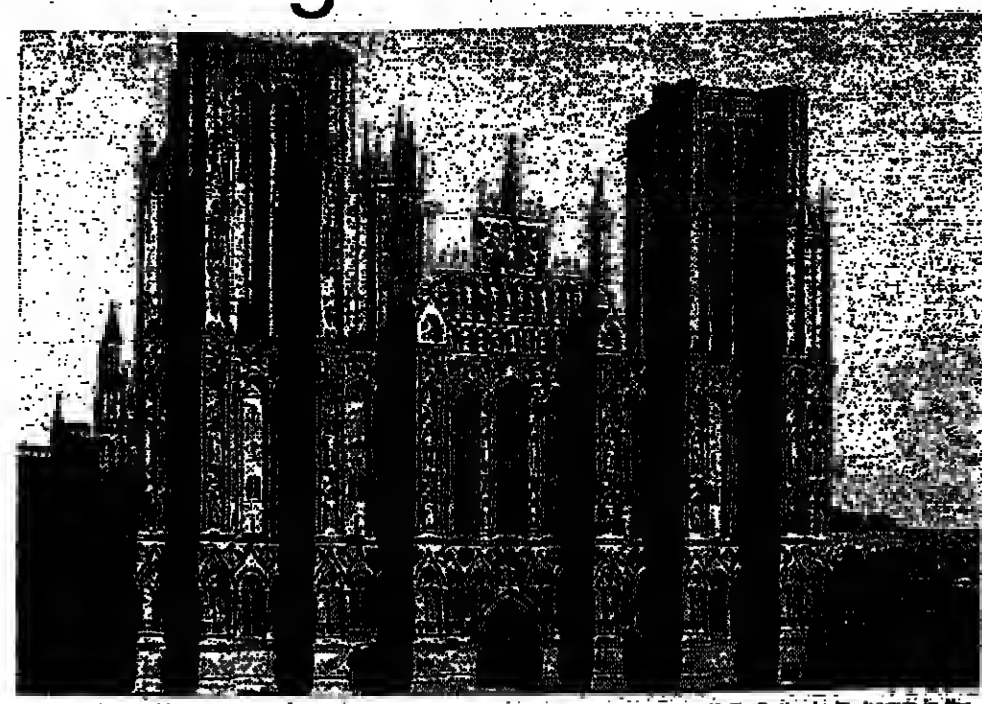
Fresh initiatives to lure the tourists

Contrasting attractions

For good or ill, Mr Blobby has come to Somerset. The puffy character from British TV has become the main attraction at Crinkley Bottom, the UK's first 'television theme park' at Cricket St. Thomas. Regardless of a certain level of local disdain, the theme park, built around an old country house and gardens, has pulled in the tourists, *writes James Harding.*

Crinkley Bottom, the Clarks shoe factory shopping village at Street, which has drawn over 3m visitors since it opened in 1993, and Butlin's Somerwest World at Minehead, which can cater for 9,000 holidaymakers at a time, are telling indicators of the challenges to Somerset's tourism trade. Such manmade attractions are in sharp contrast to tha more subtle appeal of Wells Cathedral, Glastonbury Tor, Cheddar gorge, the Quantock and Mendip Hills, and Exmoor National Park.

The formuls of natural beauty and artificial entertainments has been enough to attract an increasing number of visitors in recent years. But as competition for tourism increases, so the constraints on new attractions are likely to intensify in order to protect the landscape which is the county's main asset.



One of Somerset's more traditional attractions: the magnificent west facade of Wells Cathedral – begun in the 12th century, the cathedral derives its name from the many springs rising nearby

Picture by George Hall

The Somerset visitor accommodation survey, which gives the most recent comprehensive figures, shows visitor nights in 1993 surpassed the 10m mark for the first time since the survey started in 1987.

Overall, visitor nights were up 1.2m or 14 per cent on the previous year. The region's core holiday area, West Somerset, which includes coastline and some of Exmoor national park, registered an impressive rise of 823,500 visitors, a 23 per cent increase.

When it comes to types of visitor, the survey is not so encouraging. While the numbers of British tourists have risen, those from abroad have grown less quickly and business visitor nights fell between 1992 and 1993. Inland areas see only a fraction of the numbers who stay in the coastal region.

Luring higher-spending tourists into the county, both for short-breaks in the off-season months as well as for family holidays, is one of the objectives of the Somerset Tourism Partnership, an initiative which co-ordinates efforts by the puhlic and private sector. The partnership has published national advertisements and brochnres which highlight the appeal of historic Somerset, which includes Bath, ontsida the county's current borders.

Ms Judith Crisp, Somerset tourism officer, explains the need to broaden the approach: "The overseas visitor is going to be looking at the region, not just at Somerset, so we decided that we had to act as a region."

With an eye to visitors from Germany and the Netherlands, the county's strongest European growth markets, promoters are trying to eacourage 'green' tourism, such as cycling and walking holidays. The emphasis on outdoor pursuits and the partnership's image awareness campaign based on three themes, 'Coast, Countryside and Culture,' sit well with the county council's commitment to sustainable development.

Its draft strategy for development until 2011 promises that "tourism facilities associated with existing heritage and countryside attractions will be permitted." But it requires that all future developments "must be compatible with a rural location, create no harm to the landscape and not involve substantial new buildings."

Future Crinkley Bottom-type attractions will have to meet those standards.

A famous Somerset landmark: Glastonbury Tor (meaning peak), located in an area of many historic legends in the Mendip district

Watchet plans 280-boat marina

The dozen or so boats sitting on the harhour mnd at Watchet reflect the recent history of a Somerset shipping centre that ran aground, *writes James Harding.*

With plans to build a 280-boat marina, however, rasidents and local councillors believe that Watchet, pictured above, will emerge over the next five years as a thriving harbour for leisure craft.

The £4m project to build the marina, which has won a £1m grant from the Rural Development Commission and, in principle, a 50 per cent European grant, is part of a drive to reverse the industrial decline along the county's coastline, most marked in Watchet since the collapse of the town's Shipping Company in 1993. When the company stopped trading, it took the last 19 jobs with it after a prolonged decline.

The popular enthusiasm for the marina, demonstrated at a ballot of boat-owners who came out 81 per cent in favour, is an indication of the merits of the marina as well as the economic needs of the area.

It promises to boost Watchet's annual income from tourism, which was nearly £8m in 1993, by over £500,000 and create at least 40 long-term jobs, according to West Somerset Council, which with other public and private sector groups, launched the Watchet Regeneration Partnership. The team hopes that a wharf development, including shops and restaurants, will follow the marina.

هكذا من الأصل

COMMODITIES AND AGRICULTURE

EU farm ministers postpone 'green' currency decision

By James Harding

European Union farm ministers yesterday delayed a possible postponement of rate changes in the 'green' currency system, agreeing only to make a decision when they returned to the subject on May 29.

The delay on procedural grounds at the conclusion of a two-day meeting in Luxembourg aimed at addressing problems in the agrimonetary system, is another signal of farm ministers' reluctance to implement the rules of the system where they may erode some farmers incomes.

Revaluations of a green currency, the rate thet converts common farm prices and subsidies into national currency, means a corresponding fall in the value of aid to farmers.

Balgium's 130,000 farmers 6,000 Luxembourg producers were were facing a revaluation of the Belgian green rate on May 5, but a decision has now been put off for another month. A revaluation also looms for Dutch farmers, but tha German rate has recently come back within the agrimonetary bands after the Bundesbank trimmed interest rates.

Since the new rules governing the system came into force at the beginning of February, thare have bean ovar two dozen devaloations, but the first possible revaluation, for the Belgian green rate, has been postponed twice.

Proposals from Germany, intent on protecting its large farming population from the adverse effects of a strong D-Mark, to increase tbe amounts the EU would pay farmers to compensate for a revaluation were understood to be on yesterday's agenda.

Britain, bowever, which has a weaker currency and wants to fend off costly compensation in the case of revaluations, had blocked a decision by farm ministers on procedure grounds, EU officials said.

Social affairs ministers who meet on May 17 have the capacity to take a decision on revaluations as the farm ministers failed to agree.

However, agriculture ministers asked their social affairs counterparts to delay any green revaluations until the next farm council meeting due on May 29-30.

Rappaport takes long view after NY exchange merger

The Nymex chairman now has to inject fresh energy into his expanded empire, writes Laurie Morse

When 27-year-old Danny Rappaport stepped into the platinum ring at the New York Mercantile Exchange in 1981 and attempted his first futures trade, he was terrified and unsure of the process. Tugging on the sleeve of a bellowing trader next to him, he asked politely if he had to wait his turn to bid. "Kid," veteran Nymex trader Arthur Tobias replied, "Yon ought to go home."

Mr Rappaport stayed, and last month was elected to his second consecutive two-year term as the Nymex's chairman.

During his first term he managed what many thought impossible – a merger between the fractious memberships of the Nymex and the Naw York Commodities Exchange (Comex). The merger created a powerful alliance of energy and metals traders in New York City, and the largest physical commodities exchange in the world.

Such an alliance had been talked about for 18 years, but associates say it took Mr Rappaport's relatively fresh point of view and his keen understanding of the economic motivations of both exchange's members to achieve it.

Young enough not to have steeped in old market jealousies and to see the potential in global trading alliances, Mr Rappaport also guided the Nymex into agreements to distribute its energy products at two Pacific Rim futures exchanges. Those agreements now include Comex metals contracts.

In 1993 he piloted the launch of the Nymex's first electronic trading system – Access – and with his board cleared plans to build a $220m state-of-the-art trading facility to bouse the merged exchanges in Battery Park in Manhattan. Tax and other incentives from the city and New York State will whittle the exchange's portion of thet bill down to about $95m.

Meanwhile, as executives at Chicago's two blg futures exchanges feuded, he quietly supported standardisation of clearing systems and banking processes between the Nymex and tba Chicago Mercantile Exchange, a project that is expected to save Nymex clearing members bundreds of thousands of dollars in operating expenses.

Now, at tha beginning his second term, Mr Rappaport is faced with making the merger work, whila keeping the Nymex positionad in the remarkably competitive world of derivatives trading. Despite the merger and bealthy growth in energy trading, the Nymex has slipped from fourth to seventh place in the ranks of international exchanges in the last four years, largely because its commodity-product base does not grow as quickly as futures based on financlal instruments. And while 1994 was a landmark year for the Nymex in terms of volume, in 1995 turnover has slowed, with average daily volume at the energy exchange already 5 per cent below last year, and 11 per cent behind budget projections for the year. Comex volumes, and revenues, are somewhat higher than projected, but not enough to offset the Nymex shortfall.

Still, as a trader-manager, Mr Rappaport knows enough not to let short tarm considerations obscure the long view.

Trained as a lawyer and holding a masters dagree in business administration, he jumped into the futures pits at the suggestion of a friend. The trading life was far less confining than the Law, he recalls, and while his first year was less than profitable, he eventually traded his way into a regular income.

The Nymex, at that time was a relatively unsophisticated exchange, was recovering from defaults in its now-defunct potato futures market and had *just launched the heating oil* futurea contracts that would transform it into a powerful world market.

Tbe excbange was viewed almost as family business, and was run just as conservatively. "There was a group of young guys who felt the Nymex was a great place to make a living, and we decided to get together and get represented on the board," Mr Rappaport says. "That was in 1986, and it took us seven years to get rid of the last of the old guard."

Including Mr Rappaport, Nymex'a new board includes four trader-members with advanced management degrees and two with law degrees; a strong professional representation in an industry that does not require formal education for success. Mr Patrick Thompson, the president, is the chief staff executive and has been with the exchange since 1989.

Altbough Mr Rappaport retains a spot on the floor, he is a full time chairman, his $600,000 compensation from the exchange last year freeing him from the distractions of trading.

The Nymex/Comex merger was a risky venture for a rookie chairman, but Mr Rappaport says it made economic sense. "Everybody knew all along it was the right thing to do. It was just a question of making the effort to understand people's hopes and fears and address them in the merger documents. We continued this throughout the process, and never assumed we had a deal."

Money helped – betwean Nymex's Treaaury and Comex's reserves, negotiators coughed up $82m in cash "sweeteners" to get Nymex and Comex members to approve the merger.

At the same time Comex was looking for a partner. Members had watched their share of the world copper futures market drop to 7 per cent from 25 per cent as the London Metal Exchange lengthened its lead. New contract failures – notably plans to trade jet fuel – took tbeir toll. "The Comex was viewed as a financially and emotionally fragila exchange," so our timing was right," Mr Rappaport says.

The Nymex must now pump fresh energy and capital into the Comex, which is known as the Comex Division of Nymex. Mr John Moore, chairman of the Comex Governor's Committee, says that is already happening. Although he actively opposed the merger, he now believes it was the best thing tbat could have happenad.

"We're getting things done now that we should have done years ago," he says.

With the Nymex's marketing and economic muscle behind it, the Comex hopes to become formidable competition for the LME, and is revamping the terms of its copper contract. Last month it listed Comex copper, as well as Comex gold and silver contracts, on the Access overnight computer *trading system, extending the* reach of the metals contracts into Europe and Asia.

The LME, in a powerful strike back into Comex's bome territory, has this month certified US delivery points for its copper futures contract.

The Nymex is also fighting for global market share in oil derivatives, and is in a tight race with London's International Petroleum Exchange to dominate oil futures trading in Asiathe fastest-growing oil consumption region in the world. Domeatically, the Nymex is working to capitalise on rapid deregulation in the natural gas and electric utility industries. The exchange's successful 5-year-old natural gas futures market has become the benchmark for natural gas pricing in the US.

This year, the exchange opened an electronic information exchange for cash traders in natural gas – an unusual but logical venture for a derivatives exchange. The Nymex has an electricity futures contract on tha drawing board thet It hopes to launch this year.

	Nymex	Comex
Number of members	816	772
Price of a full seat	$480,000	$108,000
Products:	crude oil	gold
	heating oil	silver
	gasoline	copper
Combined volume in 1994	78m contracts	
Gross revenue in 1994	$76.35m	
Rank, by volume, among world futures exchanges	7th	

No change forecast for CIS aluminium

By Kenneth Gooding, Mining Correspondent

Russian aluminium output is likely to be 2.7m tonnes this year, only 25,000 tonnes more than in 1994, according to tha Brook Hunt metals consultancy group. Production in the Commonwealth of Independent States as a whole is predicted to remain at about last year'a level of 3m tonnes.

Brook Hunt has revised down its estimates for CIS aluminium consumption for 1995. It suggests domestic demand will be only 560,000 tonnes in splte of the attempts to encourage more exports of semi-fabricated products from Russia.

As recently as 1991, Brook Hunt points out in its latest FSU (former Soviet Union) Aluminium Report, demand in the CIS was more than 2.3m tonnes.

The report predicts there will this year be a aharp rise in CIS production of alumina, the raw material for aluminium. In the first quarter of 1995 output jumped by 10 per cent, putting it on target for 4.4m tonnes for the whole year compared with less than 4m in 1994. This was achieved even though there were technical problems at the large (1m tonnes a year) Nikolaev alumina refinery in the Ukraine. These are not thought to be so serious as to cause losses of more than 50,000 tonnes this year.

This improvement in the CIS alumina industry's fortunes may result from a government scheme to revive output by requiring smelters to take more of their requirements from domestic refineries.

FSU Aluminium Quarterly Service: £2,500 a year from Brook Hunt, 45 High Street, Addlestone, Surrey, KT15 1TU, UK.

Strong lead market seen

By Kenneth Gooding

Growth in demand for lead will ahow a substantial rise in the next ten years in line with demand for vehicle batteries, tba metal's biggest market, according to Billiton Metals, part of the Gencor group.

It suggests that for the next ten years demand for lead will grow on average at an annual 1.5 to 2 per cent compared with the average of only 0.5 per cent since 1979.

A wide acceptance of electric vehicles would make this estimate conservative because it seems certain that the first generation will employ either pure or hybrid lead-acid batteries as their power source, Billiton says in its latest Metals Weekly.

It points out that a combination of environmental measures and competition from other metals and materials has cut lead demand in most of its other end uses, in some cases significantly. For example, in 1993 the weight of lead used as a petrol additive was only 20 per cent of that used in 1979.

"The good news for lead is that in the majority of these end uses the scope for further decline is probably limited," Billiton adds.

Meanwhila, demand from the battery sector in all geographic areas has increased, particularly in Asia where it doubled between 1983 and 1993. Billiton suggests vehicle ownership will continue to grow in the developing countries where most of the world's population resides. It asserts: "The world's vahicla population will continue its inexorable rise and demand for replacement batteries will increasingly underpin lead consumption".

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	-27,575	to 1,122,925
Aluminium alloy	-200	to 25,840
Copper	-4,450	to 222,375
Lead	+275	to 291,000
Nickel	-1,590	to 118,884
Zinc	-4,850	to 1,000,175
Tin	-520	to 20,890

JOTTER PAD

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1858-7	1872-3
Previous	1850-1	1871-2
High/low	1850.5/1850	1882/1868
AM Official	1850.5-51.0	1874-74.5
Kerb close		1869-70
Open int.	214,790	
Total daily turnover	48,347	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1755-65	1785-90
Previous	1765-75	1785-95
High/low		1795/1785
AM Official	1755-60	1780-90
Kerb close		1790-800
Open int.	2,734	
Total daily turnover	664	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	602.5-3.5	616-15.5
Previous	600-1	613-4
High/low	600/599.5	615/611
AM Official	600-600.5	612-12.0
Kerb close		613-4
Open int.	38,207	
Total daily turnover	4,117	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7400-10	7530-40
Previous	7510-20	7650-60
High/low	7390	7640/7440
AM Official	7390-95	7525-35
Kerb close		7450-60
Open int.	52,069	
Total daily turnover	14,343	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5840-50	5860-70
Previous	5815-25	5850-55
High/low	5817	5870/5850
AM Official	5815-20	5855-60
Kerb close		5860-70
Open int.	19,797	
Total daily turnover	0,228	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1052-3	1075-6
Previous	1046-7	1070.5-71.0
High/low	1049.5/1049	1074/1067
AM Official	1049-49.0	1072-73
Kerb close		1073-4
Open int.	94,081	
Total daily turnover	21,731	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2954-5	2916-7
Previous	2962-3	2924-5
High/low	2958/2957.5	2922/2914
AM Official	2957-58	2917-10
Kerb close		2919-20
Open int.	227,323	
Total daily turnover	66,886	

■ LME AM Official £/$ rate: 1.5963
LME Closing £/$ rate: 1.5970

Spot:1.5950 3 mths:1.5939 6 mths:1.5909 9 mths:1.5879

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Apr	136.85	-0.80	137.10	136.50	1,119	272
May	136.10	-0.40	137.00	135.60	25,727	5,893
Jun	134.85	-0.10	134.80	134.60	939	26
Jul	133.45	-0.10	133.90	133.20	8,410	1,019
Aug	130.70	-0.10	-	-	388	10
Sep	129.70	-0.10	130.00	129.60	3,645	70
Total					46,886	7,388

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	390.20-390.60		
Opening	389.80-390.00		
Morning fix	389.10	244.256	451.473
Afternoon fix	390.00	244.284	449.865
Day's High	390.50-390.80		
Day's Low	388.80-389.20		
Previous close	389.00-389.40		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.10	6 months	5.14
2 months	5.15	12 months	5.25
3 months	5.14		

Silver Fix	p/troy oz.	US cts equiv.
Spot	328.90	521.00
3 months	331.60	526.10
6 months	337.15	536.10
1 year	349.70	553.50

Gold Coins	$ price	£ equiv.
Krugerrand	393-396	246-249
Maple Leaf	401.45-404.00	
New Sovereign	91-94	57-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Apr	390.4	+0.4	391.2	389.0	363	85
May	391.8	+0.4	-	-	150	1
Jun	393.0	+0.4	394.3	391.9	96,475	29,129
Aug	[illegible]					
Oct	[illegible]					
Dec	[illegible]					
Total	[illegible]					

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Apr	[illegible]					
Jul	[illegible]					
Oct	[illegible]					
Jan	[illegible]					
Total	[illegible]					

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jun	[illegible]					
Sep	[illegible]					
Dec	[illegible]					
Mar	[illegible]					
Total	[illegible]					

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Apr	[illegible]					
May	[illegible]					
Jul	[illegible]					
Sep	[illegible]					
Dec	[illegible]					
Jan	[illegible]					
Total	[illegible]					

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
May	[illegible]					
Jun	[illegible]					
Jul	[illegible]					
Aug	[illegible]					
Sep	[illegible]					
Oct	[illegible]					
Total	[illegible]					

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
May	[illegible]					
Jun	[illegible]					
Jul	[illegible]					
Aug	[illegible]					
Sep	[illegible]					
Oct	[illegible]					
Total	[illegible]					

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
May	[illegible]					
Jun	[illegible]					
Jul	[illegible]					
Aug	[illegible]					
Sep	[illegible]					
Oct	[illegible]					
Total	[illegible]					

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	[illegible]					
May	[illegible]					
Jun	[illegible]					
Jul	[illegible]					
Aug	[illegible]					
Sep	[illegible]					
Total	[illegible]					

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Open int	Vol
May	[illegible]					
Jun	[illegible]					
Jul	[illegible]					
Aug	[illegible]					
Sep	[illegible]					
Oct	[illegible]					
Total	[illegible]					

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
May	[illegible]					
Jun	[illegible]					
Jul	[illegible]					
Aug	[illegible]					
Sep	[illegible]					
Oct	[illegible]					
Total	[illegible]					

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	116.90	+0.25	116.75	116.25	1,986	145
Jul	117.80	+0.15	117.80	117.20	728	40
Sep	102.80	-0.10	102.80	102.50	348	11
Nov	[illegible]					
Jan	[illegible]					
Mar	[illegible]					
Total	[illegible]					

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	[illegible]					
May	2260	+47	2265	2215	1,136	123
Jun	2160	+58	2165	2100	110	49
Jul	1995	+45	1995	1968	1,032	41
Oct	1975	+52	1975	1925	996	77
Jan	1913	+53	1913	1890	332	54
Total					4,457	398

	Close	Prev
BFI	2220	2209

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	924	-	925	914	18,949	641
Jul	947	-1	949	938	21,431	2,286
Sep	968	-1	970	958	15,932	2,290
Dec	[illegible]					
Mar	[illegible]					
May	[illegible]					
Total	[illegible]					

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
[illegible]		

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

■ COFFEE (ICO) (US cents/pound)

	Price	Prev. day
[illegible]		

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						
Total					193,249	26,510

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	108.22	+2.00	108.22	106.00	14,942	3,227
Jul	102.13	+2.00	102.13	99.00	17,890	5,028
Oct	84.65	+1.34	84.86	82.30	7,012	707
Dec	78.91	+0.97	79.28	77.30	25,207	3,412
Mar	79.90	+0.80	80.40	78.50	7,097	491
May	80.50	+0.70	80.50	79.25	2,280	49
Total					75,058	12,916

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	109.40	+0.60	109.00	106.75	10,637	1,679
Jul	112.70	+0.80	113.30	110.95	8,123	1,198
Sep	116.00	+0.45	117.00	115.00	5,340	178
Nov	112.55	+0.45	113.00	112.00	1,983	128
Jan	113.90	-	114.00	113.10	2,290	471
Mar	115.75	+0.40	115.50	115.00	515	54
Total					29,231	4,088

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 3,950-4,200 (4,150-4,350). Bismuth: min. 99.99%, tonne lots 3.25-3.50. Cadmium: min. 99.5%, 110-120 cents a pound. Cobalt: MB free market, 99.8%, 26.80-27.30 (27.50-28.00); 99.3%, 24.00-25.50 (24.00-25.00). Mercury: min. 99.99%, $ per 76 lb flask, 138-150 (135-150). Molybdenum: drummed molybdic oxide, 10.00-11.00 (11.00-12.00). Selenium: min 99.5%, 3.20-4.10. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 58-70 (59-70). Vanadium: min. 98%, cif, 3.80-4.00 (4.10-4.35). Uranium: Nuexco exchange value, 7.35 (7.25).

INDICES

■ REUTERS (Base: 18/9/31=100)

Apr 11	Apr 10	month ago	year ago
2319.5	2319.1	2345.7	1820.9

■ CRB Futures (Base: 1967=100)

Apr 10	Apr 7	month ago	year ago
235.54	237.29	235.12	222.31

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	67.925	-1.500	69.675	67.925	15,252	12,391
Jun	61.925	-1.500	63.850	61.925	20,763	6,501
Aug	59.825	-1.250	61.325	59.475	11,018	1,891
Oct	61.375	-0.900	62.725	61.025	6,916	433
Dec	63.450	-0.775	64.600	63.150	3,516	271
Feb	64.450	-0.750	65.525	64.150	2,417	191
Total					69,807	21,705

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	38.525	-0.200	38.875	38.350	1,624	2,750
Jun	44.300	-0.625	45.050	44.250	13,438	4,872
Aug	43.425	-0.150	43.700	43.125	3,359	459
Oct	40.400	-	40.725	40.225	3,492	161
Dec	41.000	-0.075	41.150	40.950	1,127	73
Feb	41.825	-0.075	41.800	41.925	373	12
Total					28,278	8,417

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	41.325	-0.200	41.850	40.700	3,225	1,511
Jul	41.300	-0.275	41.950	40.700	2,647	740
Aug	39.050	-0.150	40.100	39.000	736	134
Feb	51.225	-0.075	51.250	51.050	182	7
Mar	50.100	-	-	-	10	0
Total					6,789	2,392

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Jul	Oct	Jul	Oct
1800	149	182	78	115
1850	123	158	98	140
1900	101	137	123	166

■ COPPER (Grade A) LME	Jul	Oct	Jul	Oct
2900	93	68	78	161
2950	70	53	104	195
3000	52	42	134	230

■ COFFEE LCE	May	Jul	May	Jul
2950	161	238	e	101
3000	112	213	12	170
3050	79	189	23	201

■ COCOA LCE	May	Jul	May	Jul
925	13	58	-	21
950	0	40	-	31
975	1	30	1	43

■ BRENT CRUDE IPE	Jul	Oct	Jul	Oct
1650	157	136	12	41
1700	118	104	21	60
1750	86	83	38	88

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/May)		+or-
Dubai	$17.50-7.58q	-0.346
Brent Blend (dated)	$18.59-8.62	+0.485
Brent Blend (May)	$18.51-8.54q	+0.485
W.T.I. (1pm est)	$19.80-9.81q	+0.295

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)		
Premium Gasoline	$194-195	
Gas Oil	$181-182	+2.0
Heavy Fuel Oil	$105-107	+3.0
Naphtha	$166-168	
Jet fuel	$178-179	+3.0
Diesel	$183-184	+3.5

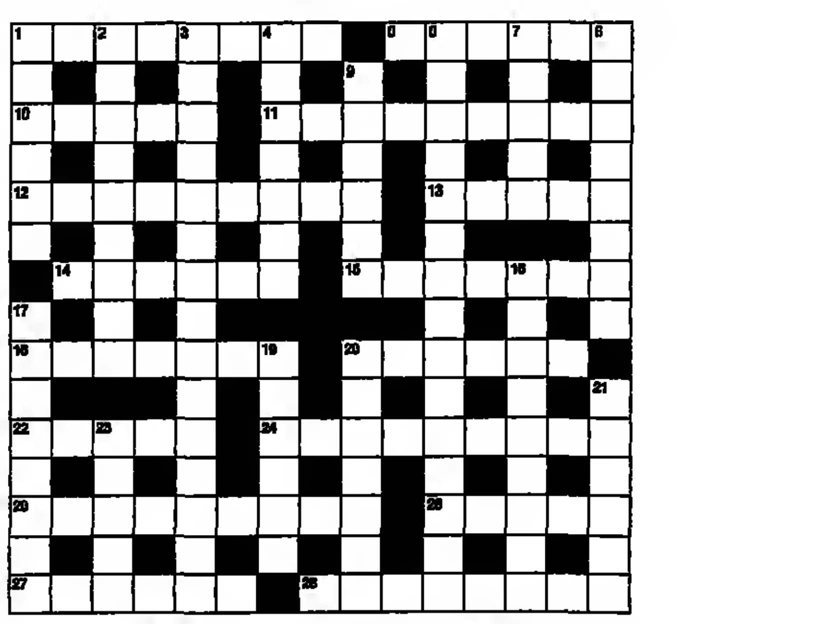
Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER		
Gold (per troy oz)♣	$390.40	+1.20
Silver (per troy oz)♣	533.50c	+11.0
Platinum (per troy oz.)	$450.00	
Palladium (per troy oz.)	$171.00	-1.00
Copper (US prod.)	143.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	14.41m	+0.04
Tin (New York)	276.50c	-1.00
Cattle (live weight)†	124.82p	-0.33*
Sheep (live weight)†♠	131.74p	-0.64*
Pigs (live weight)†	90.09p	-0.96*
Lon. day sugar (raw)	$352.5	-6.8
Lon. day sugar (wte)	$364.5	-1.5
Tate & Lyle export	£335.0	-4.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£165.0	
Rubber (May)♥	120.50p	
Rubber (Jun)♥	120.50p	
Rubber (KL RSS No1)	469.0m	
Coconut Oil (Phil)§	$615.0y	+5.0
Palm Oil (Malay.)§	$650.0z	+2.5
Copra (Phil)§	$397.0u	-15.0
Soyabeans (US)	£170.5u	
Cotton Outlook'A' index	112.90c	+1.20
Wooltops (64s Super)	525p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u Apr/May z Apr. y Jun/Jul. q May ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

CROSSWORD

No.8,735 Set by GRIFFIN



ACROSS

1 Lawful clairvoyant circles providing great happiness (8)
5 Raprasentatives obtainad information in a back street (6)
10 Soon caught going ahead, as a rule (5)
11 Writer is taking a quarter commission (9)
12 Changed speed, speed being critical (9)
13 Quick to take fifty walk-on parts (5)
14 Frisk doctor in prison (6)
15 Someone's relative walks over (7)
18 Discover drunk near hut (7)
20 Cut out including obscure saying (6)
22 Spread gum around a time scale (5)
24 Roughly push male machine operator (9)
25 Which illuminates eight mill wheels (9)
26 Good gracious! Sounds like a body! (5)
27 What starts in two countries is cleverest (6)
28 Where he's taken his new wife (8)

DOWN

1 Front half of cafe in decline (6)
2 Painting gets to the point (9)
3 Elizabeth can't put down lies aboot something six wrote (10,5)
4 Follow Virginia, going into labour (7)
6 Carry huge coffee grinder for writer of three (8,7)
7 Sound broadcast one is making (5)
8 After swim I'm not having food, being worried (8)
9 Articla aftar that is on southern capital (6)
16 Milk supplier in an outhouse trembled (9)
17 Throw on top of a blue building (8)
19 Hospital doctor built up years of respect (6)
20 Decline to take new tent into eating area (7)
21 Against some over-suspicious policemen (6)
23 Added note after mother's illness (5)

Solution 8,734

INTERNATIONAL CAPITAL MARKETS

Treasuries retreat after early strength

By Lisa Bransten in New York and Martin Brice in London

US Treasury prices opened strongly yesterday morning after figures on producer prices came in much lower than most economists had expected.

Later, however, prices retreated almost to their levels of late Monday amid signs that inflation might not be as tame as it had seemed.

Near midday, the benchmark 30-year Treasury was up $\frac{3}{32}$ at $102\frac{23}{32}$ to yield 7.392 per cent and the two-year note was unchanged at $99\frac{31}{32}$, yielding 6.640 per cent.

A report from the Labor Department showed the overall producer price index unchanged from February to March, with the core index – which excludes the volatile food and energy components – up just 0.1 per cent. Economists had forecast an increase of 0.2 per cent overall and 0.3 per cent in the core index.

The report helped allay investor fears that inflationary pressures seen at intermediate stages of the production cycle would emerge in higher prices for finished goods. Most economist attributed the weaker than expected price figures to steady unit labour costs.

Mr David Bloom of James Capel warned against taking too optimistic a view of the figures, however, as labour costs would probably rise, he said, lifting final prices with them.

Euphoria among bond traders quickly vanished after the Federal Reserve Bank of Richmond released the results of a survey of regional businesses showing they saw price pressures that would contribute to future price increases.

A weakening of the dollar also contributed to the retreat in prices. The US currency began the morning stronger against the yen and the D-Mark, but slipped back later in the morning.

Near midday, the dollar was trading at Y83.73 and DM1.4030 against Y83.90 and DM1.4100 late on Monday.

■ German government bonds drifted in what one analyst called "dull and lacklustre" trading yesterday. Volumes were low in the run-up to the Easter holidays.

GOVERNMENT BONDS

Bunds opened softer following reports that six leading economic institutes had left their growth forecasts unrevised. However, their downward revision of German inflation forecasts, combined with support at the 92.00 level, lifted the market but Treasury weakness after the PPI report pulled bunds down.

There was no recovery from that low, as many traders are said to be long on bunds and are unwilling to go into the Easter holiday exposed to a shift in the market, which might come from the release in the US of retail price data on Thursday and March industrial production on Friday.

On Liffe, the June 10-year futures contract was around 92.07 in late trading, down 0.20. Support is seen at the 92.03 level.

Today's focus is likely to be the Bundesbank's repo operation. Yamaichi expects the repo rate to remain unchanged at 4.5 per cent, while a survey by MMS of bund traders shows they believe the Bundesbank will easily be able to hold the minimum rate below 4.51 per cent.

■ UK government bonds outperformed bunds, with prices lifted in thin volume by the CBI distributive trades survey, which pointed to weakness in the UK consumer sector.

Mr Michael Saunders at Salomon Brothers said: "Wholesalers are less gloomy and still report sales up year-on-year. Nevertheless, the previous acceleration in wholesalers' turnover has ended and the balances for sales and orders have levelled off."

The decline in Treasuries pulled the market off its highs and on Liffe the June 10-year futures contract was around 103.11 in late trading, up 0.02.

The spread of the 10-year benchmark gilt over bunds was around 147 basis points in late trading, tightening from 151 points the day before.

■ Italian government bonds were hit by lira weakness and bund declines, in thin volume ahead of the Easter holiday.

On Liffe, the June 10-year futures contract fell to around 94.09 in late trading, down 0.36. Support is seen at 93.85. The spread of the benchmark bond over bunds was 629 basis points.

Lisbon to set Portugal Telecom price floor

By Antonia Sharpe

The Portuguese government is due to discuss on April 23 the pricing for its partial privatisation of Portugal Telecom. It is expected to establish a floor below which it would not be prepared to sell the shares.

The government plans to sell between 25 and 30 per cent of Portugal Telecom, which was created last June from the merger of three state-run telecom companies.

The market expects the initial public offering to raise between $700m and $1.2bn, depending on market conditions. Placement is expected to be divided equally between domestic and international investors.

Sentiment in the international primary equity market has been severely depressed in recent months, prompting several offerings to be scaled down in size and pricing, or even withdrawn.

However, bankers believe that Portugal Telecom will be well received in the international arena, provided it is realistically priced.

The three banks arranging the offer – Merrill Lynch, UBS and S.G. Warburg – are expected to release their research on Portugal Telecom today as part of a pre-marketing phase which should continue until the end of this month.

At the beginning of May the prospectus is scheduled to be published and Portugal Telecom will start a series of investor roadshows in various financial centres.

The book-building process will also begin at this time, with the aim of finding a price above the floor set by the government.

Pricing and allocation should take place towards the end of May and the shares should start trading on June 6.

Leeds & Holbeck cuts costs with £230m facility

By Martin Brice

Leeds & Holbeck Building Society, the UK's 17th largest with assets of £2.54bn, has added its name to the growing list of building societies that have slashed the cost of raising money with a syndicated loan.

It has borrowed £230m at a margin over the London interbank offered rate (Libor) of little more than half that of the loan being replaced.

SYNDICATED LOANS

The revolving credit facility has an average margin during the seven-year life of the loan of 19.9 basis points, and an average commitment fee of 9 basis points.

The syndication, arranged by Lloyds Bank Capital Markets Group and Westdeutsche Landesbank Girozentrale, set out to raise £175m yet attracted offers of £290m from 24 international banks, mostly European and nine Asian.

International banks are extremely keen to lend to UK building societies as they are seen as a good credit risk and the loans are 20 per cent weighted for capital adequacy purposes, which means banks need set aside capital amounting to only 20 per cent of the loan, whereas loans to companies are 100 per cent weighted.

UK building societies are seeing very little demand for their main business, which is consumer loans on residential properties, yet they have become enthusiastic users of international credits because they can refinance existing loans at cheaper rates.

The Leeds & Holbeck deal replaces a five-year loan with a margin of 35 basis points over Libor.

Mr Christoph Weaver of WestLB said: "Building societies are coming to the loans market because they can slash their costs by about half. They can also get longer maturities than before."

Other building societies which have recently taken out international credits include West Bromwich, Chelsea, Alliance & Leicester, Skipton, Britannia, Birmingham Midshires and Northern Rock.

A £300m loan for Woolwich Building Society arranged by J.P. Morgan and WestLB was oversubscribed, and a £175m loan for Coventry Building Society arranged by J.P. Morgan is now in the market.

The loan for the Coventry building society, the 15th largest in terms of assets, is in two parts. The £100m part is for five years at a margin of 17½ basis points over Libor, half the margin of a loan arranged in July 1993. The £75m part is for seven years at a margin of 20 basis points over Libor.

Competition among banks has also slashed margins for sovereign borrowers. Yesterday it was announced that a syndicate of banks to lend Ecu5bn to Italy was complete.

The $6bn international credit for Canada has been oversubscribed, with banks offering to underwrite a total of $8.5bn.

Banks are also fighting to lend to high-quality corporate borrowers, and the latest to take advantage of this is Incentive, the Swedish industrial concern controlled by the Wallenberg family.

It has asked Deutsche Bank and Enskilda to arrange a seven-year multi-currency facility at 20 basis points over Libor for the first four years, rising to 25 points over for the final three years. This is around half the price it paid to raise the same amount last June, when it was charged 42½ basis points over Libor for a five-year loan.

Warburg brings sterling deal for Slough Estates

By Antonia Sharpe

S.G. Warburg yesterday showed that it is still a force to be reckoned with in the eurosterling market when it served up a £100m offering of long-dated eurobonds for Slough Estates, the UK's fifth largest property company.

INTERNATIONAL BONDS

In January, Warburg announced that it was withdrawing from most areas of the eurobond market but that it would continue to issue sterling-denominated bonds with maturities of more than 10 years on behalf of its UK clients.

Many of its competitors interpreted the move as a way for Warburg to make a graceful but total exit from the market, so yesterday's deal took them by surprise. The fact that Warburg also beat Slough's relationship banks (NatWest and BZW were relegated to being co-leads) gave further weight to its commitment.

Slough's offering of eurobonds due 2017 injected badly-needed supply to the long end of the eurosterling market. Warburg said it was the first since British Land's £150m offering of long-dated eurobonds in November 1993.

There has also been little issuance of long-dated gilts, which has caused an inversion in the gilt yield curve. This means that yields on long-dated issues are lower than on those with maturities of less than 10 years. It is far more usual for a yield curve to be sloping upwards.

Warburg said Slough had thought yields at the long end of the curve were at historically attractive levels and it wanted to lock in long-term funding to extend the average maturity of its debt.

The bonds, which also have a registered option so they are eligible for corporate bond Peps, were priced to yield 160 basis points over the 8% per cent gilt due 2017, which yielded 8.34 per cent at the time of pricing.

Some syndicate managers thought the deal was too cheaply priced while others considered it to be expensive, which suggested that the pricing was about right.

The bonds were said to have been bought by UK institutions using new funds, though there was evidence that some fund managers had switched out of existing long-term bonds issued by property companies, for example Hammerson's, to get current-coupon stock.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
PEWC (Treasury)(a)‡	75	(a1)	100.00	May.1998	-	-	IBJ Asia/ Soc.Gén. Asia
STERLING							
Slough Estates(b)	100	10.00	98.355R	May.2017	0.625R	+160(8¾%-17)	SG Warburg Securities
D-MARKS							
Ford Credit Europe	200	7.25	102.225	May.2002	2.75	-	Westdeutsche Landesbank
SWISS FRANCS							
Helaba International Finance	150	5.00	103.375	May.2003	2.625	-	Zurich Kantonalbank
LUXEMBOURG FRANCS							
Crédit Foncier de France(c)	2bn	7.80	102.50	Dec.2002	2.00	-	BGL
Ippa Finance Co.(c)	2bn	7.375	102.50	Mar.2001	1.875	-	BCEE
Commerzbank(d)	2bn	zero	100.00	Dec.2001	1.375	-	Crédit Européen

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Callable and puttable in 2 yrs. a1) 6-mth Libor +80bp. b) Spens call option. c) Short 1st coupon. d) Redemption price: 155.80%.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	95.1400	+0.590	9.80	8.80	0.96
Austria		7.500	01/05	100.3300	-0.150	7.44	7.40	7.63
Belgium		6.500	03/05	90.5400	-0.310	7.91	7.91	8.22
Canada *		9.000	12/04	102.1500	+0.450	8.66	8.78	8.75
Denmark		7.000	12/04	88.6200	-0.030	8.79	8.82	8.81
France	BTAN	8.000	05/98	101.0900	+0.050	7.59	7.60	7.27
	OAT	7.500	04/05	97.9600	-0.120	7.79	7.78	8.04
Germany Bund		7.375	01/05	101.4900	-0.280	7.15	7.06	7.38
Ireland		8.250	10/04	83.4000	+0.300	8.82†	8.82	8.80
Italy		9.500	01/05	81.4000	+0.080	12.91	13.05	12.65
Japan	No 119	4.800	06/99	107.9260	-	2.80	2.67	3.70
	No 174	4.600	09/04	107.3770	-0.230	3.58	3.43	4.31
Netherlands		7.750	03/05	103.3600	-0.200	7.26	7.20	7.54
Portugal		11.875	02/05	88.0000	-	12.22	12.09	11.88
Spain		10.000	02/05	88.1400	-0.770	12.09	12.05	11.80
Sweden		6.000	02/05	69.0560	-0.690	11.39	11.51	10.68
UK Gilts		6.000	08/99	92-01	+1/32	8.24	8.27	8.46
		8.500	12/05	100-12	+1/32	8.45	8.40	8.56
		9.000	10/08	104-13	-	8.45	8.41	8.56
US Treasury *		7.500	02/05	102-24	+3/32	7.10	7.12	7.28
		7.625	02/25	102-23	+1/32	7.40	7.38	7.49
ECU (French Govt)		6.000	04/04	86.0500	-0.080	8.25	8.27	8.45

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
Prime rate	9	One month	5.73	Two year	6.64
Broker loan rate	6½	Two month	5.72	Three year	6.74
Fed.funds	6	Three month	5.85	Five year	6.93
Fed.funds at intervention	-	Six month	6.09	10-year	7.10
		One year	6.31	30-year	7.38

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	113.22	113.06	-0.10	113.40	113.00	124,572	121,656
Sep	112.58	112.44	-0.08	112.70	112.58	745	6,822
Dec	112.38	112.24	-0.08	112.38	112.38	2	1,063

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls May	Calls Jun	Calls Sep	Puts May	Puts Jun	Puts Sep
111	-	-	-	0.11	0.34	-
112	-	-	-	0.25	0.56	-
113	0.84	0.89	1.43	0.56	0.91	-
114	0.21	0.53	-	1.05	-	-
115	0.05	0.24	-	-	-	-

Est. vol. total, Calls 13,342 Puts 15,246 . Previous day's open int., Calls 143,583 Puts 207,216.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.29	92.08	-0.21	92.32	92.00	99679	176036
Sep	91.74	81.52	-0.21	91.74	81.50	373	5036

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
9200	0.32	0.68	0.81	0.88	0.26	0.62	1.09	1.36
9250	0.12	0.45	0.43	0.68	0.56	0.89	1.41	1.66
9300	0.04	0.28	0.29	0.52	0.98	1.22	1.77	2.00

Est. vol. total, Calls 15852 Puts 11141. Previous day's open int., Calls 168775 Puts 150907

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.48	93.87	-0.56	94.73	93.82	32505	44256
Sep	-	93.22	-0.56	-	-	0	137

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
9350	1.46	2.10	1.09	2.38
9400	1.18	1.88	1.31	2.66
9450	0.94	1.67	1.57	2.95

Est. vol. total, Calls 2096 Puts 1615. Previous day's open int., Calls 43767 Puts 33956

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	83.30	82.63	-0.69	83.32	82.52	52,918	48,264

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	103-06	103-12	+0-03	103-22	103-06	43274	86023
Sep	103-07	103-01	+0-02	103-07	102-31	35	105

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
103	0-45	1-14	1-23	1-62	0-21	0-54	1-21	1-50
104	0-16	0-46	0-59	1-23	0-55	1-22	1-57	2-21
105	0-03	0-24	0-38	1-00	1-43	2-00	2-36	2-62

Est. vol. total, Calls 2894 Puts 1274. Previous day's open int., Calls 39857 Puts 48586

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	83.22	83.12	-0.08	83.40	83.08	3,047	8,902

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	104-13	104-24	+0-11	104-28	104-10	173,130	344,873
Sep	103-31	104-11	+0-11	104-14	103-28	348	17,637
Dec	103-28	103-30	+0-09	103-31	103-28	8	1,822

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	114.68	-	-	114.87	114.51	4044	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Apr 11	Day's change %	Mon Apr 10	Accrued interest	xd adj. ytd		Low coupon yield Apr 11	Apr 10	Yr. ago	Medium coupon yield Apr 11	Apr 10	Yr. ago	High coupon yield Apr 11	Apr 10	Yr. ago
1 Up to 5 years (23)	119.81	+0.03	119.58	1.54	3.41	5 yrs	8.31	8.31	7.19	8.39	8.38	7.40	8.52	8.82	7.53
2 5-15 years (21)	141.10	+0.04	141.05	2.17	3.58	15 yrs	8.39	8.40	7.63	8.46	8.46	7.73	8.66	8.67	7.99
3 Over 15 years (9)	157.68	+0.10	157.53	2.12	4.05	20 yrs	8.37	8.38	7.68	8.48	8.46	7.73	8.61	8.61	7.91
4 Irredeemables (6)	181.62	+0.14	181.37	3.83	1.47	Irred.†	8.41	8.42	7.82						
5 All stocks (59)	137.80	+0.05	137.73	1.96	3.61										

Index-linked							Inflation 5% Apr 11	Apr 10	Yr. ago	Inflation 10% Apr 11	Apr 10	Yr. ago
6 Up to 5 years (2)	191.51	+0.14	191.24	0.12	2.57	Up to 5 yrs	3.31	3.38	3.31	1.88	2.01	2.42
7 Over 5 years (11)	177.93	+0.07	177.81	0.96	1.28	Over 5 yrs	3.80	3.81	3.43	3.82	3.82	3.26
8 All stocks (13)	178.43	+0.08	178.29	0.89	1.40							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Apr 11	Apr 10	Apr 7	Apr 6	Apr 5	Yr ago	High*	Low*
Govt. Secs. (UK)	91.91	91.80	92.24	92.06	91.98	97.39	92.24	90.22
Fixed Interest	110.78	111.09	111.15	111.12	111.02	117.29	111.15	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Apr 10	Apr 7	Apr 5	Apr 5	Apr 4
Gilt Edged bargains	74.2	93.7	99.2	95.8	104.2
5-day average	92.2	97.1	98.0	101.0	103.9

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on April 11

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	92⅞	93¼	+⅛	7.71
Alberta Province 7⅝ 98	1000	101¼	101½	+⅛	7.19
Austria 8½ 05	400	105	105⅜	+⅛	7.22
Baden-Wuert L-Fin 8½ 00	1000	103¼	103¾		7.32
United Kingdom 7¼ 97	5500	102⅞	103	-⅛	5.86
Volkswagen Intl Fin 7 03	1000	96⅞	97⅛	-⅛	7.52
World Bank 0 15	2000	21⅝	22⅛	-⅛	7.88
World Bank 5⅞ 03	3000	91	91¼	-⅛	7.32
World Bank 8⅝ 00	1250	110⅝	111⅛	-⅛	8.28
Abbey Natl Treasury 8 03 £	1000	93⅝	93¾		9.16
Alliance Leics 11½ 97 £	100	105⅛	105¾	-⅛	8.43
British Land 8⅞ 23 £	150	88⅞	89¼	+¼	10.32
Denmark 6¾ 98 £	800	95	95¼		8.49
EIB 8 03 £	1000	95	95¼		[illegible]
[illegible]					

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

هكذا من الاصل

CURRENCIES AND MONEY

MARKETS REPORT

Dollar steady as market waits for Japan package

The dollar's rally off recent lows lost momentum yesterday amid fairly thin pre-Easter trading conditions, *writes Philip Gawith.*

The currency failed to maintain its moves above DM1.41 and Y84. It started to lose ground after the release of soft US producer inflation data, closing in London at DM1.401 and Y83.635, from DM1.4055 and Y83.085 on Monday.

Trading was thin, with evidence of investors squaring positions ahead of the Easter break. Markets are also waiting to see what sort of economic stimulus package the Japanese government produces on Friday.

The logic is that any measures which stimulate consumption will act to suck in imports, thereby reducing the large current account surplus which has underpinned the yen.

In Europe, Sweden was a focus of attention. The Swedish crown has rallied sharply after hitting a low of SKr5.4280 against the D-Mark last week. It closed slightly weaker, at SKr5.233 from SKr5.219.

Dollar sentiment was not helped by the Swedish central bank's announcement that it was trading 20 per cent of its dollar reserves (and 20 per cent of its gold reserves) for Ecu under an agreement with the European Monetary Institute. Diversification of central bank reserves out of the dollar has been cited recently as a factor in the currency's weakness.

Sterling had a steady day against the dollar, finishing at $1.5962, but lost 1¼ pfennigs against the D-Mark in afternoon trade to close at DM2.2362.

■ It was another one of those days where the comments from the sidelines were arguably more interesting than the events on the pitch. The frequency of public comment from senior bankers and politicians would suggest they remain nervous about the state of the markets.

Leading the way was Mr Hans Tietmeyer, the Bundesbank president, who told a Rome audience that the D-Mark was rather overvalued, and the lira undervalued. He also said there was "no doubt" that the strength of the D-Mark had affected the competitiveness of the German economy.

In fact the lira has escaped tha worst of the recent currency ructions. Since hitting a historic low of L1,275 against the D-Mark on March 12, it has steadily recovered, although it finished slightly weaker yesterday at L1,231 from L1,224.

In France, meanwhile, Mr Jean-Claude Trichet, governor of the central bank, reaffirmed its commitment to a stable franc against most credible ERM currencies. As with the lira, the franc has rallied off its recent lows. It closed yesterday at FFr3.486 against the D-Mark, well shy of the historic low of FFr3.5880 reached on March 8.

So far as the dollar was concerned, some cheer came from the report of Germany's leading economic research institutes, which predicted the dollar recovering back towards DM1.50 by the end of the year.

A smidgeon of comfort was also provided by Mr Kenneth Clarke, the UK chancellor, who said he did not believe the US was deliberately pushing down the dollar.

The reason why this might be the case was supplied by Mr Ron Brown, the US commerce secretary. He was quoted saying: "We have been told for a long time that changes in the yen-dollar valuations would have a dramatic, positive impact on our ($60bn) trade deficit with Japan. That has not been the case."

■ Interest rate markets will be able today to savour the spectacle of a variable rate repo in Germany - the first since last July when the repo rate was fixed at 4.85 per cent. It remained there until cut by 35 basis points at the last Bundesbank council meeting.

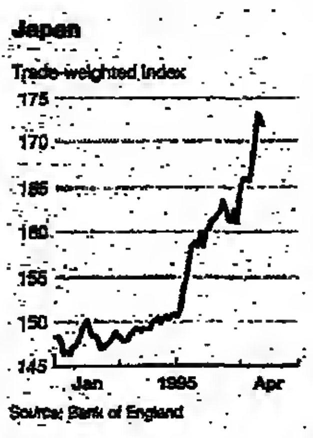
Market expectations are that the Bundesbank will engineer the repo such that the rate comes in around 4.5 per cent, despite the fact that call money was trading yesterday at 4.65 per cent. The tighter liquidity conditions do suggest, though, that the rate is unlikely to drop much.

Euromarks lost ground following the publication of the German institute study which said that the rate of growth in M3 money supply could require higher interest rates. The September contract finished at 94.96, from 94.99.

■ The Bank of England cleared a £550m shortage at established rates. Three month money, at 6 11/16 per cent, remains well below the 6¾ per cent base rate.

Japan

Trade-weighted index



Source: Bank of England

■ Pound in New York

Apr 11	Latest	Prev. close
£ spot	1.5955	1.5945
1 mth	1.5951	1.5944
3 mth	1.5944	1.5934
1 yr	1.5943	1.5833

■ OTHER CURRENCIES

Apr 11	£	$
Hungary	189.597 - 189.840	118.810 - 110.910
Iran	2785.89 - 2792.65	1745.00 - 1750.00
Kuwait	0.4664 - 0.4689	0.2935 - 0.2937
Poland	3.7900 - 3.7965	2.3750 - 2.3780
Russia	7986.54 - 7987.83	4990.00 - 4990.00
U.A.E.	5.8608 - 5.8644	3.6725 - 3.6733

POUND SPOT FORWARD AGAINST THE POUND

Apr 11		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7365	-0.0236	280 - 450	15.8860	15.7272	15.7159	1.8	15.6776	1.5	-	-	107.7
Belgium	(BFr)	45.9612	-0.037	431 - 792	46.3690	45.9400	45.9162	1.2	45.8062	1.3	45.2752	1.5	110.2
Denmark	(DKr)	8.7948	-0.0152	889 - 007	8.8752	8.7848	8.8025	-1.1	8.8058	-0.5	8.7734	0.2	110.0
Finland	(FM)	6.8635	-0.0043	580 - 689	6.8980	6.8530	-	-	-	-	-	-	87.7
France	(FFr)	7.7944	+0.0081	915 - 973	7.8381	7.7810	7.8048	-1.6	7.8132	-1.0	7.7561	0.5	110.6
Germany	(DM)	2.2362	-0.0033	351 - 372	2.2533	2.2351	2.2334	1.6	2.2262	1.8	2.1867	2.2	113.0
Greece	(Dr)	362.610	+0.191	310 - 709	365.417	362.193	-	-	-	-	-	-	69.0
Ireland	(I£)	0.9870	-0.0063	860 - 879	0.9933	0.9858	0.9868	0.2	0.9864	0.2	0.987	0.0	96.8
Italy	(L)	2762.27	+11.14	118 - 339	2759.50	2739.71	2768.02	-4.7	2780.92	-4.2	3292.97	-19.6	64.1
Luxembourg	(LFr)	45.9612	-0.037	431 - 792	46.3690	45.9400	45.9162	1.2	45.8062	1.6	45.2782	1.6	110.2
Netherlands	(Fl)	2.5048	-	030 - 065	2.5259	2.5030	2.5019	1.5	2.4942	1.7	2.4519	2.1	110.1
Norway	(NKr)	10.0053	-0.0059	001 - 105	10.0725	10.0000	9.9949	1.2	9.9746	1.2	9.8884	1.4	98.2
Portugal	(Es)	235.512	-0.032	221 - 803	236.985	235.155	236.347	-4.3	238.137	-4.5	-	-	96.5
Spain	(Pta)	199.651	+0.067	507 - 754	201.163	199.390	200.091	-2.8	201.008	-2.8	204.961	-2.7	79.3
Sweden	(SKr)	11.7009	+0.0089	916 - 102	11.7796	11.6767	11.703	-0.2	11.7072	-0.2	11.7273	-0.2	77.4
Switzerland	(SFr)	1.8380	-0.0056	368 - 392	1.8530	1.8362	1.8336	2.9	1.8241	3.0	1.7716	3.6	114.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.5
Ecu	-	1.2145	+0.0014	137 - 152	1.2261	1.2134	1.2146	0.0	1.2134	0.4	1.2059	0.8	-
SDR†	-	1.01610	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5961	+0.0029	956 - 965	1.5998	1.5910	-	-	-	-	-	-	-
Brazil	(R$)	1.4326	+0.0025	298 - 353	1.4355	1.4238	-	-	-	-	-	-	-
Canada	(C$)	2.2036	-0.0026	027 - 044	2.2100	2.1929	2.2072	-2.0	2.2128	-1.6	2.2164	-0.7	81.9
Mexico	(New Peso)	10.0159	-0.1105	738 - 580	10.0632	9.9723	-	-	-	-	-	-	-
USA	($)	1.5962	+0.0027	958 - 965	1.6000	1.5910	1.5962	0.0	1.5952	0.3	1.585	0.7	88.4
Pacific/Middle East/Africa													
Australia	(A$)	2.1548	+0.006	536 - 560	2.1588	2.1535	2.1575	-1.5	2.1619	-1.3	2.1814	-1.2	79.9
Hong Kong	(HK$)	12.3422	+0.0205	387 - 457	12.3717	12.3032	12.3419	0.1	12.3424	0.0	12.3357	0.1	-
India	(Rs)	50.0992	+0.0728	682 - 301	50.2240	49.9570	-	-	-	-	-	-	-
Israel	(Shk)	4.7349	+0.0093	293 - 405	4.7680	4.7123	-	-	-	-	-	-	-
Japan	(Y)	133.494	+1.102	409 - 579	135.600	132.900	132.924	5.1	131.774	5.2	125.654	5.9	172.0
Malaysia	(M$)	3.9699	+0.0115	672 - 705	3.9802	3.9570	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4084	+0.0126	069 - 098	2.4100	2.4047	2.4143	-2.9	2.4232	-2.5	2.439	-1.3	96.8
Philipines	(Peso)	41.5000	+0.0702	514 - 485	41.7500	41.2500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9862	+0.0099	846 - 877	6.0005	5.9674	-	-	-	-	-	-	-
Singapore	(S$)	2.2389	+0.0124	376 - 402	2.2488	2.2274	-	-	-	-	-	-	-
South Africa	(R)	5.7499	+0.0146	478 - 522	5.7616	5.7318	-	-	-	-	-	-	-
South Korea	(Won)	1227.20	+3.91	685 - 755	1229.78	1221.57	-	-	-	-	-	-	-
Taiwan	(T$)	40.3728	+0.298	546 - 898	40.4017	40.0375	-	-	-	-	-	-	-
Thailand	(Bt)	39.2613	+0.1148	587 - 068	39.3800	39.1700	-	-	-	-	-	-	-

†SDR rates per £ for Apr 10. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 11		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	9.8591	-0.0316	559 - 622	9.9445	9.8535	9.8476	1.4	9.8276	1.3	9.7341	1.3	107.2
Belgium	(BFr)	28.7950	-0.072	900 - 000	29.0100	28.7900	28.77	1.0	28.72	1.0	28.545	0.9	109.5
Denmark	(DKr)	5.5100	-0.0189	075 - 125	5.5582	5.5075	5.514	-0.9	5.5215	-0.8	5.5465	-0.7	106.5
Finland	(FM)	4.3000	-0.01	975 - 025	4.3335	4.2935	4.302	-0.6	4.3033	-0.3	4.3075	-0.2	86.2
France	(FFr)	4.8833	-0.0032	825 - 840	4.9149	4.8805	4.8888	-1.4	4.8963	-1.1	4.8893	-0.1	109.9
Germany	(DM)	1.4010	-0.0045	008 - 013	1.4152	1.4002	1.3993	1.5	1.3957	1.5	1.3789	1.6	111.7
Greece	(Dr)	227.115	-0.265	040 - 190	229.250	226.990	229.415	-12.2	233.365	-11.0	250.915	-10.3	67.9
Ireland	(I£)	1.6172	+0.0129	160 - 194	1.6185	1.6030	1.6177	-0.4	1.6183	-0.5	1.628	-0.7	-
Italy	(L)	1724.32	+4.07	400 - 464	1731.00	1715.00	1730.57	-4.3	1743.82	-4.5	1803.32	-4.6	63.6
Luxembourg	(LFr)	28.7950	-0.072	900 - 000	29.0100	28.7900	28.8075	-0.5	28.76	0.5	28.67	0.4	109.5
Netherlands	(Fl)	1.5693	-0.0026	685 - 700	1.5819	1.5685	1.5675	1.4	1.5636	1.4	1.5455	1.5	106.1
Norway	(NKr)	6.2684	-0.0143	665 - 703	6.3261	6.2664	6.2619	1.2	6.2521	1.0	6.2259	0.7	97.7
Portugal	(Es)	147.550	-0.27	400 - 700	148.850	147.400	148.15	-4.9	149.3	-4.7	154.8	-4.6	96.3
Spain	(Pta)	125.070	-0.17	020 - 120	126.100	124.720	125.38	-2.6	126.02	-3.0	129.295	-3.4	78.7
Sweden	(SKr)	7.3307	-0.0088	265 - 349	7.3819	7.3129	7.3449	-2.3	7.3787	-2.5	7.5457	-2.9	76.7
Switzerland	(SFr)	1.1515	-0.0055	510 - 520	1.1626	1.1509	1.1488	2.8	1.1433	2.8	1.117	3.0	114.0
UK	(£)	1.5962	+0.0027	958 - 965	1.6000	1.5910	1.5962	0.0	1.5952	0.3	1.585	0.7	84.0
Ecu	-	1.3143	+0.0007	138 - 148	1.3146	1.3042	1.3144	0.0	1.3146	-0.1	1.3135	0.1	-
SDR†	-	0.63570	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0000	+0.0001	999 - 000	1.0000	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	0.8975	-	960 - 990	0.8990	0.8960	-	-	-	-	-	-	-
Canada	(C$)	1.3806	-0.004	803 - 808	1.3815	1.3752	1.3829	-2.0	1.3873	-1.9	1.3996	-1.4	80.3
Mexico	(New Peso)	6.2750	-0.08	500 - 000	6.3100	6.2500	6.2773	-0.4	6.2806	-0.3	6.2853	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	89.8
Pacific/Middle East/Africa													
Australia	(A$)	1.3499	+0.0016	495 - 504	1.3537	1.3479	1.3516	-1.4	1.3554	-1.6	1.3766	-2.0	81.1
Hong Kong	(HK$)	7.7325	-0.0002	320 - 330	7.7330	7.7320	7.7313	0.2	7.7356	-0.2	7.771	-0.5	-
India	(Rs)	31.3875	-0.0075	750 - 000	31.4000	31.3750	31.4675	-3.1	31.7125	-4.1	-	-	-
Israel	(Shk)	2.9665	+0.0009	636 - 693	3.0059	2.9614	-	-	-	-	-	-	-
Japan	(Y)	83.6350	+0.55	000 - 700	84.8800	83.3000	83.335	4.3	82.675	4.6	79.58	4.8	174.1
Malaysia	(M$)	2.4865	+0.003	860 - 870	2.4910	2.4838	2.4845	1.0	2.4821	0.7	2.4765	0.4	-
New Zealand	(NZ$)	1.5088	+0.0053	083 - 094	1.5114	1.5050	1.5122	-2.7	1.519	-2.7	1.5382	-2.0	-
Philipines	(Peso)	26.0000	-	500 - 500	26.1500	25.8500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-0.0001	502 - 505	3.7505	3.7502	3.7513	-0.3	3.7534	-0.3	3.7654	-0.4	-
Singapore	(S$)	1.4027	+0.0054	022 - 032	1.4050	1.3983	1.3976	4.5	1.3892	3.8	1.3627	2.9	-
South Africa	(R)	3.6023	+0.003	015 - 030	3.6040	3.5925	3.6203	-6.0	3.6576	-6.1	3.8519	-6.9	-
South Korea	(Won)	768.850	+1.15	800 - 900	769.500	767.800	771.85	-4.7	775.35	-3.4	793.85	-3.3	-
Taiwan	(T$)	25.2935	+0.141	880 - 990	25.3050	25.2250	25.3135	-0.9	25.3535	-0.9	-	-	-
Thailand	(Bt)	24.6100	+0.03	000 - 200	24.6300	24.5700	24.631	-1.0	24.6575	-0.8	24.745	-0.5	-

†SDR rate per $ for Apr.10. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Apr 10. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

April 11	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	5	5	5 3/16	5 5/16	5 7/8	7.40	4.00	-
week ago	5 1/2	5	5 3/8	5 3/4	6 1/8	7.40	4.00	-
France	7 5/8	7 [illegible]	7 3/8	7 [illegible]	7 [illegible]	5.00	-	9.00
week ago	7 1/8	7 [illegible]	7 3/4	7 [illegible]	7 1/4	5.00	-	8.00
Germany	4.56	4.56	4.69	4.75	5.00	6.00	4.00	4.85
week ago	4.68	4.56	4.68	4.68	5.00	6.00	4.00	4.85
Ireland	5 3/4	9 1/4	9 3/8	6 7/8	7 3/4	-	-	6.25
week ago	5 3/4	6 1/2	6 5/8	7 1/8	7 3/8	-	-	6.25
Italy	10 1/4	10 3/8	10 3/8	10 5/8	11 1/8	-	7.50	10.34
week ago	10	10 3/8	11 1/8	11 3/8	11 3/4	-	7.50	10.44
Netherlands	4.56	4.56	4.69	4.63	5.05	-	5.25	-
week ago	4.55	4.56	4.74	4.87	5.18	-	5.25	-
Switzerland	3 1/8	3 3/8	3 3/8	3 1/4	3 3/8	6.625	3.00	-
week ago	3 3/8	3 3/8	3 1/4	3 1/4	3 1/2	6.625	3.00	-
US	5 [illegible]	6 1/8	6 1/8	6 1/4	6 1/4	-	5.25	-
week ago	6 1/8	6 1/8	6 1/4	9 1/8	6 [illegible]	-	5.25	-
Japan	2 1/8	1 [illegible]	1 7/8	1 3/4	1 3/4	-	1.75	-
week ago	2 1/8	1 [illegible]	1 3/8	1 3/8	1 [illegible]	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 1/8	6 1/8	5 3/8	6 [illegible]	-	-	-
week ago	-	6 1/8	9 5/8	9 1/2	9 [illegible]	-	-	-
US Dollar CDs	-	5.90	6.06	6.23	8.52	-	-	-
week ago	-	5.90	6.08	6.30	6.63	-	-	-
SDR Linked Ds	-	4 [illegible]	5	5 1/8	5 1/8	-	-	-
week ago	-	4 [illegible]	5	5 1/8	5 1/8	-	-	-

ECU Linked Ds mid rates: 1 mth: 6⅛; 3 mths: 6⅛; 6 mths: 6¼; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 11	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5 1/16 - 4 15/16	5 1/16 - 4 15/16	5 1/8 - 5	5 1/4 - 5 1/8	5 9/16 - 5 7/16	5 15/16 - 5 13/16
Danish Krone	7 - 6 3/4	7 - 6 3/4	7 - 6 3/4	7 - 6 3/4	7 1/8 - 6 7/8	7 1/4 - 7
D-Mark	4 5/8 - 4 1/2	4 5/8 - 4 1/2	4 5/8 - 4 1/2	4 11/16 - 4 9/16	4 3/4 - 4 5/8	5 1/16 - 4 15/16
Dutch Guilder	4 1/2 - 4 3/8	4 5/8 - 4 1/2	4 5/8 - 4 1/2	4 3/4 - 4 5/8	4 7/8 - 4 3/4	5 1/8 - 5
French Franc	7 3/4 - 7 1/2	7 11/16 - 7 7/16	7 3/4 - 7 1/2	7 5/8 - 7 3/8	7 1/8 - 6 7/8	7 1/16 - 6 13/16
Portuguese Esc.	9 3/8 - 8 7/8	9 5/8 - 9 1/4	10 11/32 - 10 5/32	10 11/16 - 10 7/16	11 1/4 - 10 1/2	11 5/8 - 11 1/4
Spanish Peseta	8 5/8 - 9 1/2	8 11/16 - 8 9/16	8 15/16 - 8 23/32	9 11/16 - 9 7/32	9 23/32 - 9 17/32	10 5/16 - 10 3/16
Sterling	6 1/4 - 9	5 7/16 - 5 5/16	6 1/16 - 9	6 17/32 - 6 1/2	7 - 9 15/32	7 5/16 - 7 1/16
Swiss Franc	3 1/2 - 3 3/8	3 7/16 - 3 5/16	3 3/8 - 3 1/4	3 7/16 - 3 5/16	3 9/16 - 3 7/16	3 11/16 - 3 9/16
Can. Dollar	7 13/16 - 7 3/4	8 1/16 - 7 7/8	9 - 7 7/8	8 - 7 7/8	7 15/16 - 7 13/16	7 15/16 - 7 13/16
US Dollar	6 - 5 7/8	6 1/16 - 5 15/16	6 1/8 - 6	6 1/4 - 6 1/8	6 7/16 - 6 5/16	6 11/16 - 6 9/16
Italian Lira	10 1/4 - 9 3/4	10 7/16 - 10 3/16	10 3/8 - 10 1/4	10 5/8 - 10 1/2	11 - 10 7/8	11 7/16 - 11 3/16
Yen	1 7/8 - 1 3/4	1 13/16 - 1 3/4	1 3/4 - 1 11/16	1 11/16 - 1 5/8	1 5/8 - 1 9/16	1 5/8 - 1 9/16
Asian $Sing	3 7/8 - 3 3/4	3 1/4 - 3 1/8	2 13/16 - 2 11/16	2 15/16 - 2 13/16	3 - 2 7/8	3 3/8 - 3 1/4

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.35	93.22	-0.12	93.39	93.20	25,769	44,731
Sep	93.64	93.56	-0.06	93.65	93.54	9,762	33,146
Dec	93.53	93.44	-0.07	93.54	93.44	2,258	20,651
Mar	93.34	93.26	-0.08	93.37	93.28	907	14,197

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	93.63	+0.03	-	-	0	565
Sep	-	93.42	+0.04	-	-	0	329
Dec	-	93.20	+0.06	-	-	0	255
Mar	-	93.19	+0.06	-	-	0	0

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.22	95.24	-0.01	95.25	95.20	18510	155140
Sep	94.99	94.96	-0.03	94.99	94.91	30881	168876
Dec	94.65	94.66	-0.05	94.69	94.61	19277	118975
Mar	94.39	94.39	-0.05	94.43	94.37	9029	67860

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	89.19	88.85	-0.30	89.19	88.83	10271	37278
Sep	89.00	88.72	-0.23	89.00	88.70	1691	23260
Dec	88.89	88.66	-0.19	88.66	88.66	465	13732
Mar	88.60	88.63	-0.17	88.82	88.63	206	8000

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.45	96.43	-0.07	96.48	96.39	3945	20640
Sep	96.32	96.32	-0.07	96.36	96.30	1238	9045
Dec	96.20	96.19	-0.07	96.22	96.15	319	8248
Mar	96.07	96.04	-0.08	96.07	96.04	185	1765

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.60	93.57	-0.06	93.61	93.55	2410	9260
Sep	93.44	93.41	-0.09	93.47	93.39	565	4791
Dec	93.15	93.14	-0.06	93.16	93.15	40	2402
Mar	92.95	92.97	-0.02	92.95	92.95	42	1587

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 11		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.15	16.96	4.865	2.148	5988	5.450	21.78	512.4	434.3	25.46	3.999	2.178	5.017	3.473	290.5	2.644
Denmark	(DKr)	52.26	10	8.863	2.543	1.122	3129	2.849	11.38	267.8	227.0	13.30	2.090	1.137	2.622	1.815	151.8	1.382
France	(FFr)	58.97	11.28	10	2.869	1.266	3531	3.214	12.84	302.2	256.1	15.01	2.358	1.283	2.959	2.048	171.3	1.559
Germany	(DM)	20.55	3.933	3.486	1	0.441	1231	1.120	4.477	105.3	89.27	5.233	0.822	0.447	1.031	0.714	59.70	0.543
Ireland	(I£)	46.57	8.910	7.897	2.265	1	2788	2.538	10.14	238.6	202.2	11.85	1.862	1.013	2.336	1.617	135.3	1.231
Italy	(L)	1.670	0.320	0.283	0.081	0.036	100	0.091	0.364	8.557	7.253	0.425	0.067	0.036	0.084	0.058	4.851	0.044
Netherlands	(Fl)	18.35	3.511	3.111	0.893	0.394	1099	1	3.996	94.01	79.68	4.671	0.734	0.399	0.921	0.637	53.29	0.485
Norway	(NKr)	45.91	8.785	7.786	2.234	0.986	2749	2.502	10	235.3	199.4	11.69	1.836	0.999	2.304	1.594	133.4	1.214
Portugal	(Es)	19.52	3.734	3.310	0.949	0.419	1169	1.064	4.251	100	84.76	4.968	0.780	0.425	0.979	0.678	56.69	0.518
Spain	(Pta)	23.03	4.406	3.905	1.120	0.494	1379	1.255	5.015	118.0	100	5.862	0.921	0.501	1.155	0.800	66.88	0.609
Sweden	(SKr)	39.28	7.516	6.662	1.911	0.844	2352	2.141	8.556	201.3	170.6	10	1.571	0.855	1.971	1.364	114.1	1.038
Switzerland	(SFr)	25.01	4.785	4.240	1.217	0.537	1497	1.363	5.446	128.1	108.6	6.366	1	0.544	1.255	0.868	72.63	0.661
UK	(£)	45.96	8.794	7.794	2.236	0.987	2752	2.505	10.01	235.5	199.6	11.70	1.838	1	2.306	1.596	133.5	1.215
Canada	(C$)	19.93	3.814	3.380	0.970	0.428	1193	1.086	4.341	102.1	86.56	5.074	0.797	0.434	1	0.692	57.89	0.527
US	($)	28.80	5.510	4.883	1.401	0.618	1724	1.570	6.272	147.6	125.1	7.331	1.152	0.627	1.445	1	83.65	0.761
Japan	(Y)	34.43	6.587	5.838	1.675	0.739	2061	1.876	7.498	176.4	149.5	8.764	1.377	0.748	1.727	1.196	100	0.910
Ecu		37.83	7.238	6.415	1.840	0.812	2265	2.062	8.239	193.8	164.3	9.630	1.513	0.823	1.898	1.314	109.9	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10: Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7106	0.7128	+0.0012	0.7160	0.7086	76,153	58,728
Sep	0.7150	0.7158	+0.0011	0.7158	0.7134	417	2,438
Dec	-	0.7174	-	-	-	27	364

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.2008	1.1980	-0.0034	1.2100	1.1903	54,423	62,028
Sep	1.2131	1.2130	-0.0023	1.2230	1.2125	378	2,881
Dec	1.2270	1.2290	-	1.2290	1.2270	50	369

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

■ STERLING FUTURES (IMM) £62,500 per £

UK INTEREST RATES

LONDON MONEY RATES

BASE LENDING RATES

EMS EUROPEAN CURRENCY UNIT RATES

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or –	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Prf		50½	—	86	50¼	8.31	19.8	–
9¾pc Non-Cum Prf		4¾	—	118½	3	1.90	–	–
Cater Allen	♣†□	459	—	495	419	149.8	7.7	6.8
Close Bros	♣†□	261xd	—	282	219	248.5	3.9	11.8
Garrard & Ngt	♣†□	416	—	480	385	202.6	7.2	12.0
Hambros	□	219	—	253	195	265.0	8.6	13.4
7½pc Cv Pf		99	—	112	94	127.6	5.0	-
Joseph (L)	♣†	365	—	408	363	18.3	6.0	10.6
King & Shaxson	♣	91	–1	103	88	15.8	12.4	9.0
Kleinwort Benson	♣□	633xd	+6	658	529	945.1	4.2	11.3
Rea Bros	♣□	55xd	—	67	55	22.8	2.3	ф
Schroders	♣v□	1563xd	+25	1589	1380	1,568	1.0	15.0
N/V	v	1396xd	+27	1480	1235	494.5	1.8	13.2
Singer & Fried	♣□	82	—	89½	82	159.3	5.5	ф
Union	♣□	80xd	—	93	70	21.3	4.7	ф
Warburg (SG)	♣□	734	+1	794	655	1,822	3.7	13.4
Wintrust	♣†	205	—	235	200	17.4	6.5	13.7

BANKS, RETAIL

	Notes	Price	+ or –	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	£22¾	–¼	£23½	£21½	7,313	5.4	ф
ANZ A$		229	+2	233	198	2,170	5.1	8.2
Abbey National	□	477xd	–5	490	413	6,283	4.7	10.3
Allied Irish I£	♣□	276xd	—	279	230	1,839	5.0	8.0
Anglo Irish I£	□	48	–1	56	48	166.2	9.2	8.7
Asahi Y	□	749	–13¼	774½	632¼	17,380	0.7	–
Banco Bil Viz Pta	□	£15¾	–¼	£17¼	£14½	3,890	5.1	7.8
Banco Sant Pta		£22½	—	£24½	£22½	3,400	3.6	ф
Bk Ireland I£	†□	321	—	323	288	1,528	4.8	9.3
Bank Scotland	♣†□	230	+½	230	191½	2,634	3.0	12.7
0¼pc Pf		117½	+¼	120	115¼	117.5	9.8	–
9¼pc Pf		123½		125¼	112¼	123.5	8.9	–

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

Approved by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

INVESTMENT COMPANIES - Cont.

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£32½	—	£34	£29	7,124	2.4	Φ
Barlow	♣	[illegible]	—	[illegible]	[illegible]	1,218	7.8	22.3
Gold Flds Prop R		144xa	—	182	116	14.7	7.2	Φ
MK Props		90	—	90	86	5.62	13.9	–
SASOL	♥	571	—	588	435	3,284	2.4	–
SA Brews	†	£17	—	£17½	£12¾	4,775	1.7	27.0
Tiger Oats		880	—	875	700	1,228	1.7	20.5
Tongaat-Hulett	‡b	743	—	*782	636	677.2	1.0	22.3

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the *SEAQ International system.*
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to *same degree of regulation as listed securities.*
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on *annualised dividend* b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. R Rights issue pending q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, *p/e based on* previous year's earnings v P/e ratios are calculated under new ACT guidelines. *x Dividend yield inc*ludes a special payment F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1994 L Estimated annualised yield, p/e based on *latest annual earnings.* M Yield based on prospectus or other official estimates for 1995-96. *S Forecast annualised* yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

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FT Cityline

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds
Pembroke Hall, Pembroke, Bermuda
UK Prof Advisers 0800 414181 Jersey 01534 71696
Private Clients 0800 414161 00 352 250404230
From O'seas (44) 1732 777377 Hong Kong (852) 848 1000

Fund	Selling Price	+ or -	Yield Gr's
A$ Accum	A$17.456	+0.015	6.50
A$ Dist	A$15.101	+0.013	6.50
ASch Accum	Sch239.39	+0.12	3.70
ASch Dist	Sch201.42	+0.10	3.70
BFr Accum	BFr540.51	+0.35	4.90
BFr Dist	BFr504.54	+0.33	4.90
C$ Accum	C$17.404	+0.017	7.00
C$ Dist	C$15.198	+0.014	7.00
DKr Accum	DKr108.40	+0.10	5.80
DKr Dist	DKr101.01	+0.09	5.80
DM Accum	DM36.825	+0.017	3.70
DM Dist	DM30.238	+0.014	3.70
DFl Accum	Dfl30.585	+0.015	3.70
DFl Dist	Dfl25.194	+0.012	3.70
ECU Accum	Ecu12.700	+0.009	5.40
ECU Dist	Ecu10.101	+0.007	5.40
FM Accum	FM105.82	+0.05	3.30
FM Dist	FM100.74	+0.08	3.30
FFr Accum	FFr63.147	+0.051	8.10
FFr Dist	FFr50.529	+0.040	8.10
HK$ Accum	HK$112.46	+0.08	5.80
HK$ Dist	HK$101.10	+0.07	5.80
Ir£ Accum	I£11.484	+0.001	4.00
Ir£ Dist	I£10.087	+0.005	4.00
Lira Accum	L20704	+24	8.80
Lira Dist	L15243	+17	8.80
NZ$ Accum	NZ$35.575	+0.038	7.70
NZ$ Dist	NZ$30.445	+0.030	7.70
NKr Accum	NKr106.38	+0.06	3.70
NKr Dist	NKr100.79	+0.09	3.70
Pes Accum	Ps2990.8	-3.5	9.20
Pes Dist	Ps2544.1	+3.1	9.20
S$ Accum	S$25.533	+0.005	1.50
S$ Dist	S$25.057	+0.005	1.50
SPta Accum	Pta2444.2	+2.0	7.80
SPta Dist	Pta1828.6	+2.2	7.00
£ Accum	£12.167	+0.005	5.30
£ Dist	£10.103	-0.005	5.30
SKr Accum	SKr109.98	+0.18	7.10
SKr Dist	SKr101.34	+0.09	7.10
SFr Accum	SFr28.903	+0.008	2.30
SFr Dist	SFr25.122	+0.008	2.30
US$ Accum	$21.986	+0.014	5.10
US$ Dist	$20.107	+0.014	5.10
Yen Accum	Y2684.3	+0.2	0.06

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

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ISLE OF MAN (SIB RECOGNISED)

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JERSEY (REGULATED)(**)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

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LUXEMBOURG (REGULATED)(**)

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

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Albany International Assurance Ltd

Royal Skandia Life Assurance Ltd (z)

Capital International

Global Asset Management - Contd.

Man International Futures

Rosenwald, Roditi & Co Ltd

Sabre Futures Fund

OTHER OFFSHORE FUNDS

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MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Early gains eroded after Wall Street decline

By Steve Thompson

A promising early performance by UK equities was gradually eroded yesterday afternoon as European markets turned easier ahead of the opening of Wall Street.

The market's nervousness was proved to be well-founded as US equities opened on an uncertain note and then proceeded to fall away sharply, as the market struggled to come to terms with the latest economic news. At the close the FT-SE 100 Index had moved decisively back through the 3,200 level, closing 13.3 off at 3,190.9 for a two-day decline of exactly 20 points.

Senior marketmakers emphasised, however, that there was little in the way of genuine selling pressure affecting the market. "The market got off to a good start, with some keen interest in certain areas, but from late morning onwards it just seemed to run out of steam," said one trader. Second-line stocks performed marginally better than the leaders, thanks largely to a relatively firm showing by the electricity and water shares.

Dealers said one story circulating and damaging the market in mid-afternoon was that US retail sales in March, due to be announced tomorrow, would come in 0.4 to 0.5 per cent higher, against forecasts of a 0.4 per cent decline. Such a number, it was claimed, could be the trigger for another increase in US interest rates, which have been lifted seven times since February 1994.

Yesterday's economic news from the US provided no real worries for Wall Street. Producer prices were unchanged last month, against most forecasts of a 0.2 per cent rise, and indicated a slowing US economy. Concern had been expressed that the US economy will suffer a "hard landing".

The London trading session began with equities in fine form, barely affected by the latest survey of distributive trades monitored by the Confederation of British Industry. The survey pointed to a further slowing in retail sales.

Marketmakers hoisted share prices at the outset of trading, with the FT-SE 100 almost six points up at the start. Within an hour the index was 12 points ahead, primed by a strong start by the future.

The institutions were by now showing a marked reluctance to push funds into the equity market and the index began to retreat in the face of intermittent bouts of profit-taking.

Falling into negative territory just before midday, the downward trend in the index gathered momentum as Wall Street opened and thereafter remained under pressure.

Senior traders said they expected the market to trade narrowly in the Easter run-up, unless US economic numbers provide a serious shock.

The utilities area provided the FT-SE 100's best individual performer in Southern Electric, which responded to hopes that the sector could still attract a predator. ICI, meanwhile, was helped by a buy recommendation issued by one of the leading Swiss banks. On the downside, Eurotunnel shares challenged their all-time low as the market continued to fret about the company's dismal results and funding.

Turnover totalled a respectable 682.2m shares. Customer business on Monday was worth £1.21bn, the lowest figure for two weeks.

FT-SE-A All-Share Index / **Equity Shares Traded**

Indices and ratios

FT-SE 100	3190.9	-13.3	FT Ordinary index	2434.3	-10.1
FT-SE Mid 250	3464.3	-8.0	FT-SE Non Fins p/e	17.27	(17.24)
FT-SE-A 350	1583.8	-5.7	FT-SE100 Fut Jun	3210.0	-20.0
FT-SE-A All-Share	1563.24	-4.96	10 yr Gilt yield	8.46	(8.48)
FT-SE-A All-Share yield	4.09	(4.09)	Long gilt/equity yld ratio:	2.11	(2.11)

Best performing sectors

1 Chemicals +1.0
2 Other Ser & Bus +0.9
3 Banks, Merchant +0.8
4 Electricity +0.7
5 Textiles & Apparel +0.7

Worst performing sectors

1 Transport -1.5
2 Retailers, Food -1.2
3 Life Assurance -0.8
4 Tobacco -0.7
5 Telecommunications -0.7

Broker upgrade for ICI

Chemicals leader ICI jumped against the trend as Swiss Bank Corp took a hard look at the company's potential foreign exchange benefits and sharply upgraded its earnings forecasts.

Analyst Mr Richard Henderson has carried out a study of the effect of weaker sterling against the D-Mark. He argues that a simple boost in profits from overseas earnings is far less relevant than the devaluation of UK labour costs compared to those of its German competitors.

Consequently, be has upgraded his earnings per share forecasts for ICI and reiterated his recommendation that the stock is one of the key buys among European chemicals stocks.

The house is believed to have raised its earnings per share number for 1995 by 12p to 67p and its profits estimate by £175m to £875m. For 1996, Swiss Bank is looking for 77p of earnings against a previous estimate of 68p, and £1bn of profits against £840m. ICI ended 11 up at 749p.

SBC was also recommending BOC, but there the rationale is different. The gas company manufactures abroad and would suffer from foreign exchange exposure. However, gas prices in the US have risen sharply and are just about to be passed on to customers. BOC closed 6 higher at 735p, with a stock shortage also affecting the price.

Eurotunnel rout

The run on sentiment at Eurotunnel gathered pace dramatically, with the shares tumbling a further 32 to 186p in 5.1m of turnover. The shares, down more than a fifth in two days' trading, are now within a whisker of their 1987 all-time low of 184p. Pressured by another action packed session on the Paris bourse, where almost 19m shares changed hands, they were easily the worst performer within the FT-SE Mid 250.

In London, dealers said business was almost entirely one way as investors took flight in the face of rights issue fears and mounting speculation that the Channel tunnel operator could yet be forced into default by the sheer weight of its £8bn of bank borrowings.

BICC drops

Cables group BICC dropped following a first-half profits warning. The company said spiralling raw material costs had dented first-quarter operating margins and that interim earnings would be adversely affected as a result. The shares shed 17 to 312p.

BICC, which last month announced a savage dividend cut in order to meet the cost of a 70 per cent jump in the price of copper, expected trading conditions to improve in the second half of this year. That did not stop analysts from shading earnings estimates. NatWest Securities cut by £10m to £155m for 1995.

Shares in several of the leading food retailing stocks retreated following comments from Tesco that industry gross margins will continue to be under pressure.

The comments came as Tesco unveiled full-year figures up nearly 13 per cent to £595m and in line with market expectations. The group also increased the final dividend. The stock eased 2¼ to 271p in heavy volume of 12m, with dealers attributing the decline to both the comments on margins and general profit-taking after the recent run of the shares.

Credit Lyonnais Laing downgraded its recommendation on the stock from "buy" to "hold" and analyst Mr Rodney Forrest said: "The shares are fairly valued following the recent outperformance."

The comments on margins also weakened J. Sainsbury. The shares relinquished 6 to 425p in trade of 2.8m. Argyll Group, owner of the Safeway supermarket chain in the UK, also fell back and ended 7¼ lighter at 281½p to make it the day's worst performer among FT-SE 100 constituents.

Several analysts pointed out that the strong performance of the William Low chain which Tesco acquired last September may be at the expense of Safeway, the market leader in Scotland. Strauss Turnbull reiterated its sell recommendation on the stock. Volume at the close stood at 1.9m.

P&O retreated 12 to 569p as the market refocused on safety standards – and their attendant costs – following a report by the International Maritime Organisation, the United Nations maritime wetchdog. Some analysts felt that the setback had bean overplayed since roll-on/roll-off ferries account for little more than a tenth of P&O's total profits.

Airports group BAA held steady at 493p ahead of today's traffic flow figures for March.

Pharmacenticals group Zeneca was depressed in early dealing as a rumour ran through the market that it was poised to launch a takeover bid for Medeva, the drug manufacturer. The speculation was not taken too seriously but Medeva improved 7½ to 221½p, while Zeneca ended 8 off at 899p.

Insurer Commercial Union was pushed up by a stock shortage, reiteration of a buy stance from SGST and continued recovery from worries last week over possible exposure to US pollution claims. SGST said the pollution worries, which also depressed Royal Insurance, were largely discounted. CU was 10 higher at one stage but suffered from profit-taking later and closed 2 off at 565p. Royal rose a penny to 295p.

Oil major BP held steady. and performed better than rival Shell Transport, as Lehman Brothers labelled the stock one of its key European holdings in the energy sector. The house moved to a more positive stance on the sector on the basis of improved oil prices and refining margins. BP eased a half-penny to 435½p and Shell fell 5 to 711p.

Healthcare group AAH moved forward as the company issued its final defence against the 420p-a-share bid by Gehe, of Germany. The announcement that AAH is to make £14m of savings over the next two years helped the shares improve a penny to 435p, a 15p premium to the offer. Traditionally aggressive fund manager PDFM has around 16 per cent of AAH and is not expected to sell out cheaply.

Solid £107.3m profits from Tarmac – against a £100m to £110m range of expectations – failed to impress the market, which pushed the shares down 3 to 113p.

The annual meeting statement from Heywood Williams – dull UK trading but strong growth in the US, which accounted for two-thirds of profits last year – left the shares 17 lower at 243p.

Electricity stocks were strong performers. Southern Electricity, favoured by ABN-Amro Hoare Govett, put on 11 at 630p, in modest turnover, to make it the best performing stock in the FT-SE 100 Index.

Mr Nigel Hawkins at the broker believea: "The best regional electricity companies are the ones where the balance sheet is best placed to absorb the aggressive distribution review by Offer (the industry regulator). Southern and Midlands are best placed in this respect." Shares in Midlands closed 2 easier at 628p.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Apr 11	Apr 10	Apr 7	Apr 6	Apr 5	Yr ago	*High	*Low
Ordinary Share	2434.3	2444.4	2454.1	2447.1	2444.0	2490.7	2454.1	2238.3
Ord. div. yield	4.34	4.33	4.31	4.32	4.33	4.33	3.73	4.31
P/E ratio net	16.90	16.51	16.86	16.83	16.80	16.80	21.33	16.57
P/E ratio nil	16.81	16.72	16.79	16.73	16.71	16.71	22.21	15.77

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2449.0	2450.9	2454.1	2449.0	2445.4	2442.5	2442.8	2441.2	2434.9	2456.5	2434.1

	Apr 11	Apr 10	Apr 7	Apr 6	Apr 5	Yr ago
SEAO bargains	22,139	22,315	23,590	23,821	41,186	29,748
Equity turnover (£m)†	-	1212.1	1542.0	1772.1	1901.8	1865.6
Equity bargains†	-	23,428	35,304	40,546	62,092	33,830
Shares traded (mil)†	-	502.3	574.6	740.2	850.8	675.9

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	547	Total Highs	150	Total contracts	28,173
Total Falls	593	Total Lows	68	Calls	12,793
Same	1,720			Puts	15,380

April 11 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3235.0	3210.0	-20.0	3246.0	3202.0	10507	70444
Sep	-	3234.0	-20.0	-	-	0	1816
Dec	-	3263.0	-20.0	-	-	0	-

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low
Jun	3518.0	3506.0	-5.0	3516.0	3518.0

■ FT-SE 100 INDEX OPTION (LIFFE) (*3192) £10 per full index point

	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P
Apr	200	1	150½	1½	104	4	61½	11½	26½	30
May	213½	8	168	12½	126	21	89½	34	59	54
Jun	223½	16	182	24½	148	36½	113	55	84	76
Jul	245	28	208½	41	171½	53	140	71½	110	91½
Dec†	314	67			249½	100			189½	140

Calls 4,134 Puts 3,818

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P
Apr	175½	2	126½	3	81	7	42	18	16½	42½
May	189	9	146	15½	107½	26	73½	41½	47	65
Jun	205½	22½	166	33	130½	46½	90	64½	71½	80
Sep	256	52½			180	80			126½	118
Dec†	301	74			238	104½			179	142½

Calls 1,786 Puts 2,783 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
150	F.P.	583.0	172	154	Albright & Wilson	170		R6.0	1.5	4.4	18.9
-	F.P.	17.5	201	170	Beale	171		H5.9	-	4.3	-
-	F.P.	4.77	164	113	Brit Aerospace Uts	154	-4	-	-	-	-
-	F.P.	35.1	161	123	Colleagues	155		-	-	-	-
§128	F.P.	15.6	135	130	Dalywin	130		Rv6.0	2.2	5.8	8.8
§130	F.P.	48.7	148	138	Datrontech	145		-	-	-	16.7

* Note: issue price 10p higher for institutional and overseas investors.

TRADING VOLUME

■ Major Stocks Yesterday

FT GOLD MINES INDEX

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FT - SE Actuaries Share Indices — The UK Series

	Apr 11
FT-SE 100	3190.9
FT-SE Mid 250	3464.3
FT-SE Mid 250 ex Inv Trusts	3493.5
FT-SE-A 350	1583.8
FT-SE-A 350 Higher Yield	1595.2
FT-SE-A 350 Lower Yield	1572.6
FT-SE SmallCap	1737.34
FT-SE SmallCap ex Inv Trusts	1714.16
FT-SE-A ALL-SHARE	1563.24

■ FT-SE Actuaries All-Share

	Apr 11
10 MINERAL EXTRACTION(24)	2730.59
12 Extractive Industries(7)	3707.64
15 Oil, Integrated(3)	2716.27
16 Oil Exploration & Prod(14)	1965.43
20 GEN INDUSTRIALS(279)	1882.63
21 Building & Construction(38)	971.75
22 Building Matls & Merchs(31)	1772.99
23 Chemicals(22)	2287.02
24 Diversified Industrials(18)	1831.45
25 Electronic & Elect Equip(37)	1980.99
26 Engineering(72)	1835.04
27 Engineering, Vehicles(13)	2210.39
28 Paper, Pckg & Printing(27)	2834.22
29 Textiles & Apparel(21)	1572.61
30 CONSUMER GOODS(94)	3015.38
31 Breweries(18)	2285.86
32 Spirits, Wines & Ciders(10)	2738.57
33 Food Producers(24)	2421.17
34 Household Goods(10)	2482.86
36 Health Care(18)	1683.47
37 Pharmaceuticals(12)	3800.52
38 Tobacco(2)	3750.26
40 SERVICES(229)	1931.64
41 Distributors(32)	2369.22
42 Leisure & Hotels(29)	2174.92
43 Media(43)	2873.08
44 Retailers, Food(16)	1866.96
45 Retailers, General(44)	1615.90
48 Support Services(37)	1496.13
49 Transport(21)	2200.57
51 Other Services & Business(7)	1196.55
60 UTILITIES(37)	2278.94
62 Electricity(17)	2138.83
64 Gas Distribution(2)	1981.15
66 Telecommunications(5)	1979.05
68 Water(13)	1831.74
69 NON-FINANCIALS(663)	1684.80
70 FINANCIALS(118)	2271.40
71 Banks, Retail(9)	3037.55
72 Banks, Merchant(6)	3131.83
73 Insurance(26)	1264.22
74 Life Assurance(6)	2557.72
77 Other Financial(23)	1933.53
79 Property(46)	1354.95
80 INVESTMENT TRUSTS(133)	2643.06
89 FT-SE-A ALL-SHARE(914)	1563.24
FT-SE-A Fledgling	953.10
FT-SE-A Fledgling ex Inv Trusts	958.37

■ Hourly movements

	Open	9.00	10.00
FT-SE 100	3210.0	3211.1	3212.7
FT-SE Mid 250	3492.9	3495.9	3495.6
FT-SE-A 350	1592.0	1592.8	1593.4

Time of FT-SE 100 Day's high: 8.44am Day's low: 4.26pm.

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00
Bldg & Cnstrcn	962.7	962.5	961.5	961.5
Pharmaceuticls	3807.9	3801.7	3804.4	3795.6
Water	1826.8	1829.4	1831.5	1831.4
Banks, Retail	3105.3	3100.2	3101.9	3102.5

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT. The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE-A Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1995. © The Financial Times Limited 1995. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown.

CONTRACTS & TENDERS

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WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 11 / Sch)

BELGIUM/LUXEMBOURG (Apr 11 / Frs.)

CZECH REP (Apr 11 / Koruna)

DENMARK (Apr 11 / Kr)

FINLAND (Apr 11 / Mka)

FRANCE (Apr 11 / Frs.)

GERMANY (Apr 11 / Dm.)

GREECE (Apr 11 / Drachma)

ITALY (Apr 11 / Lira)

NETHERLANDS (Apr 11 / Fls.)

NORWAY (Apr 11 / Kroner)

POLAND (Apr 10 / Zloty)

PORTUGAL (Apr 11 / Escudo)

SPAIN (Apr 11 / Pts.)

SWEDEN (Apr 11 / Kronor)

SWITZERLAND (Apr 11 / Frs.)

TURKEY (Apr 11 / Tk Lira)

PACIFIC

JAPAN (Apr 11 / Yen)

AUSTRALIA (Apr 11 / Aust$)

HONG KONG (Apr 11 / H.K.$)

INDONESIA (Apr 11 / Rupiah)

MALAYSIA (Apr 11 / MYR)

NEW ZEALAND (Apr 11 / NZ $)

SINGAPORE (Apr 11 / S$)

SOUTH KOREA (Apr 11 / Won)

TAIWAN (Apr 11 / TW $)

THAILAND (Apr 11 / Baht)

NORTH AMERICA

CANADA

TORONTO (Apr 11 / Cdn $)

4 pm close

MONTREAL (Apr 11 / Cdn $)

4 pm close

AFRICA

SOUTH AFRICA (Apr 11 / Rand)

INDICES

INDEX FUTURES

US INDICES

Dow Jones	Apr 10	Apr 7	Apr 6	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4186.15	4192.62	4205.41	4205.41 (6/4)	3832.08 (30/1)	4205.41 (6/4/95)	41.22 (2/7/32)
Home Bonds	98.48	98.56	98.43	98.61 (5/4)	93.63 (3/1)	100.77 (18/10/93)	54.99 (1/10/81)
Transport	1645.98	1644.24	1637.61	1666.07 (30/3)	1473.19 (3/1)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	193.38	194.04	193.12	196.74 (8/2)	183.03 (3/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4210.94 (4226.86) Low 4163.81 (4164.23) (Theoretical¶)
Day's high 4203.66 (4211.30) Low 4180.86 (4169.45) (Actual¶)

Standard and Poors	Apr 10	Apr 7	Apr 6	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	507.61	506.42	506.06	507.01 (10/4)	459.11 (3/1)	507.61 (10/4/95)	4.40 (1/6/32)
Industrials¥	601.39	600.37	600.45	601.39 (10/4)	546.28 (3/1)	601.39 (10/4/95)	3.62 (21/6/32)
Financial	47.75	47.01	47.71	47.81 (7/4)	41.41 (2/1)	48.46 (20/9/93)	8.64 (1/10/74)
NYSE Comp.	273.98	273.73	273.73	273.98 (10/4)	250.73 (3/1)	273.98 (10/4/95)	4.46 (25/4/42)
Amex Mkt Val	471.23	469.35	468.87	471.23 (10/4)	438.12 (6/1)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	821.26	814.89	813.80	826.14 (28/3)	743.58 (3/1)	826.14 (28/3/95)	54.87 (31/10/72)

■ RATIOS

	Apr 7	Mar 31	Mar 24	Year ago
Dow Jones Ind. Div. Yield	2.61	2.64	2.65	2.78
	Apr 5	Mar 29	Mar 22	Year ago
S & P Ind. Div. yield	2.26	2.27	2.33	2.51
S & P Ind. P/E ratio	18.11	18.05	17.80	23.55

■ NEW YORK ACTIVE STOCKS

■ TRADING ACTIVITY

● Volume (million)

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, April 11, 1995.

	Stocks Traded	Closing Prices	Change on day
Fudo Const	7.2m	901	-22
Nippon Steel	4.5m	332	+1
Toshiba Corp	3.2m	582	+8
Hitachi	2.6m	853	-1
Kawasaki Steel	2.4m	336	+5
Daiwa Sec	2.2m	1,050	+20
Mitsui Mng & Sm	2.0m	323	+3
Tosoh Corp	1.9m	418	+8
NEC Corp	1.9m	888	-1
Nikko Sec	1.9m	820	+20

FT FREE ANNUAL REPORTS SERVICE

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close April 11

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14 1/8	12 1/8	AAR	0.48	3.6	22	211	13 1/2	13 1/8	13 3/8	+1/8
23 5/8	19 1/4	ALPharmaA	0.18	0.8	295	2210	u24	23 3/8	23 5/8	+1/4
39 1/8	35	AMP	0.92	2.3	22	3913	u39 1/8	39 1/8	39 1/4	+1/8
68 5/8	53 3/8	AMR			30	5188	68 5/8	67 5/8	68	-1/8
47 7/8	41 7/8	ASA	1.71	3.8	20	540	46	40 1/2	45 5/8	+1/8
38 3/8	30 3/4	AbbotL x	0.84	2.2	20	29217	u38 3/8	37 7/8	38 1/4	+3/4
14 5/8	12	Abitibi Pr	0.50	3.5	18	472	14 1/8	14 1/8	14 1/8	+1/8
24 3/8	21	ABM Ind	0.60	2.8	12	40	21 3/4	21 1/2	21 5/8	-1/8
16 5/8	14 1/4	Acptncgin			8	60	14 7/8	14 5/8	14 7/8	+1/8
27	21 7/8	ACE Ltd	0.44	1.7	8	86	26 1/8	26	26 1/8	+1/8
9 3/4	8 1/8	ACM Gvt In	0.90	10.9	7	898	8 3/8	d8 1/8	8 1/4	
7 1/2	6 1/2	ACM GvOpp	0.65	9.8		73	6 3/4	6 5/8	6 3/4	+1/8
7 1/2	5 3/4	ACM Gvt Sp	0.76	12.2		618	6 3/8	6 1/8	6 3/8	-1/8
8 5/8	7 1/4	ACM Gvt Se	0.80	11.6		1212	7 5/8	7 1/2	7 5/8	+1/4
8 1/2	7 5/8	ACM Man	1.08	13.7		155	7 7/8	7 3/4	7 7/8	+1/8
7 5/8	7 1/8	ACM Managd x	0.72	8.9		140	7 3/8	7 1/4	7 1/4	
19 1/8	19 1/4	AcmeClv	0.48	2.6	11	356	18 1/2	17 7/8	18 3/8	-1/8
21 1/2	12 3/8	Acme Elect			22	69	19 3/4	19 3/4	19 3/4	-1/8
34 1/2	31 3/8	Acordia	0.72	2.3	16	6	32 3/4	32 1/4	32 1/4	+1/8
11 3/8	8 5/8	Actava	0.38	3.6	7	291	10	9 3/4	10	+3/8
16 3/4	11 1/8	Acuson			19	414	11 5/8	11 1/2	11 5/8	+1/8
16 5/8	15 1/8	Adams Expr	0.36	2.2	8	154	16 1/2	16 3/8	16 1/2	
66 1/2	53	Adv Micro				65	66	66	65	
23 7/8	25	AdvMic			11	40256	34 5/8	33 1/8	33 1/2	-3
6 3/8	5	Advest Grp	0.18	2.8	39	29	5 3/4	5 5/8	5 3/4	+1/8
20 7/8	16 1/2	Advo Inc	0.10	0.5	17	189	u21 1/8	20 5/8	21 1/8	+1/4
73 1/8	63 7/8	Aegon ADR	1.47	2.0	14	17	72 1/2	72 1/4	72 1/2	+1/2
4 7/8	3 3/8	Aerfix			6	140	4	3 7/8	3 7/8	-1/8
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NYSE COMPOSITE PRICES

4 pm close April 11

Continued from previous page

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NASDAQ NATIONAL MARKET

4 pm close April 11

[illegible]

AMEX COMPOSITE PRICES

4 pm close April 11

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Price data supplied by Telekurs

FT Free Annual Reports Service

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AMERICA

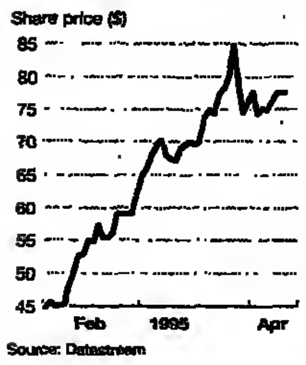
Dow turns weaker on profit-taking

Wall Street

Good news on inflation helped US share prices jump at the opening bell, but could not stave off profit-taking that sent them into negative territory by early afternoon, *writes Lisa Bransten in New York.*

In the first half-hour of trading the Dow Jones Industrial Average gained more than 18 points before turning negative. By 1 pm the Dow was 9.34 lower at 4,188.81, while the more broadly based Standard & Poor's 500 slipped 1.25 to 505.76. The American Stock Exchange composite was off 1.42 at 469.81 and the Nasdaq composite was up 0.79 at 822.05. NYSE volume was heavy at 190m shares.

Micron Technology



Source: Datastream

On the NYSE, declining shares led advancing ones by a nine-to-eight margin.

Investors began the day optimistic that inflation could be contained at early stages in the production cycle after the labor department reported no increase in its overall producer price index for March. The figure surprised many economists who had forecast a 0.2 per cent increase.

The Nasdaq composite managed to hang in positive territory as the two largest companies on the index pushed higher. Microsoft, the software company, gained $¾ at $71½ and Intel, the computer chip maker, jumped $2⅝ at $90⅞.

Analysts attributed Intel's gains in part to stronger-than-expected figures on orders for chips and an upgrade of the company to "buy" from "neutral" by securities firm Cowen.

The strong book-to-bill ratio – by which the computar industry measures demand – helped other chip makers to advance in the morning, but by early afternoon, most such gains had turned neutral or negative as investora continued the profit-taking that has gripped much of the technology sector in recent weeks.

Micron Technology, for example, jumped $1⅛ at the opening but by 1 pm was unchanged at $77⅝. Texas Instruments rose $1¾ before turning down $⅝ at $91⅜ by early afternoon.

Kemper jumped more than 10 per cent rising $4⅝ at $46 on news that the insurance and financial services company had agreed to be acquired by the Swiss insurance company Zurich Insurance Group.

Stronger-than-expected earnings reports failed to boost the paper companies, International Paper or Weyerhaeuser. International Paper lost $⅝ at $75⅞ in spite of reporting earnings of $1.95 per share against expectations of $1.80, and Weyerhaeuser was unchanged at $40 after reporting per share earnings of $1 against estimates of 98 cents.

Shares in CBS lost 3.2 per cent or $2⅛ at $63½ as investors reacted to news released late on Monday that first quarter earnings were 68 per cent lower than earnings for the same period last year. Morgan Stanley also lowered its rating on the company, based on the network's recent decline in television ratings.

Canada

Toronto was higher at midday as heavily weighted gold shares and consumer products led gains in 12 of the market's 14 sectors. The TSE-300 composite index rose 10.60 to 4,257.65 in volume of 21.9m shares. Advancing stocks outpaced declines by 263 to 236, with 298 issues unchanged.

The precious metals group rose 69.06 to 10,004.84.

Mexico retreats 1.9%

Mexican prices fell sharply in slow early trada on profit-taking and expectations of a rise in domestic interest rates. The IPC index was down 35.73 or 1.9 per cent by mid-morning at 1,860.07.

Telmex L shares were among the early decliners with a fall of 2.64 per cent as its ADRs in New York dipped $⅝ to $28⅝.

BUENOS AIRES' Merval index had fallen 1.93 to 353.23 while the general index had eased 13.44 to 13,177.72. Of 17 issues traded on the floor, six were lower, two were higher and nine were unchanged. One analyst said that worries about the banking system were behind Monday's 6 per cent fall and yesterday's decline.

CARACAS closed lower in extremely thin volume. The Merinvest composite index was down 0.49 at 91.18. Turnover amounted to about 51m bolivars, up from 37.5m bolivars traded on Monday, a record low for 1995.

EUROPE

Eurotunnel skids by 15% in very heavy volume

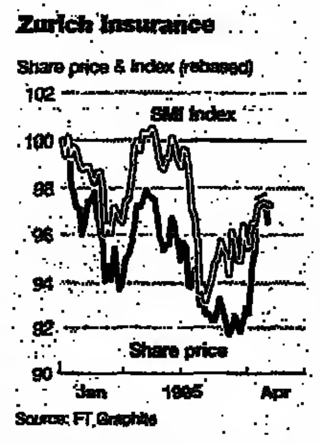
Individual corporate stories set the tone for the day, *writes Our Markets Staff.*

PARIS took a further look at Eurotunnel and, with retail investors selling heavily, the stock tumbled FFr2.60 or 15 per cent to FFr14.80 as volume peaked at 18m shares. For the broader market, weakness in bonds kept the index on the negative side, the CAC-40 finishing with a loss of 11.61 at 1,869.31. Turnover was modest at FFr3.3bn.

There were plenty of other stories to keep the market busy. Pechiney, which is due to be privatised, fell back after the company announced that it was planning a capital increase of between FFr2bn to FFr10bn. In a separate announcement the group said its 1994 loss was FFr3.7bn, slightly higher than estimates made earlier this year. Pechiney fell FFr17.90 or 5 per cent to FFr317, while its subsidiary Pechiney International rose FFr6.50 to FFr133.00 on arbitrage.

Michelin declined in spite of reporting 1994 profits of FFr1.3bn, against a 1993 loss of FFr3.7bn, a result much in line with analysts' forecasts. The improvement in trading conditions had been brought about by the recovery in European vehicle sales. However, the company faces industrial problems from employees demanding wage increases and a shorter working week. The shares shed FFr2.50 to FFr212.

Zurich Insurance



Source: FT Graphite

ZURICH remained subdued, with shares trading in a tight range and the SMI index ending just 1.9 higher at 2,563.1.

Zurich Insurance registered fell SFr23 or 1.9 per cent to SFr1,201 as investors adopted a cautious approach to news that the company, and an investor group, had agreed to acquire Kemper, of the US, for more than $2bn. The shares rallied briefly as the insurer confirmed that the deal would not trigger a capital call, but they slipped back on news that Standard & Poor's had put Zurich on credit watch.

Mr Thomas Kalbermatten at UBS in Zurich downgraded the stock from a buy to a hold, saying that a number of issues remained to be answered. Over the longer term, he thought that the price was fair and, strategically, it was an attractive deal. "In the short run, there are still questions about goodwill and how the deal will affect 1996 earnings," he said.

Sulzer fell SFr9 to SFr666, with investors sceptical over the company's profits outlook released at the annual news conference.

A SFr9 improvement in Brown Boveri to SFr1,101 was attributed to an improved outlook for its US business.

FRANKFURT gained ground but amid thin trading conditions. The DAX index rose 21.44 or 1.1 per cent to 1,993.73 and in the Ibis slipped 1.55 to 1,979.26. Turnover was DM5bn.

Daimler-Benz receded DM6 to DM648 ahead of its annual news conference today, while Volkswagen was up DM7.60 at DM375, before slipping to DM368.50 in the post bourse, and BMW fell to DM703 after a rise of DM11 to DM709.

Among financials, Deutsche Bank ended post-bourse trading at DM669.50, after rising DM5.30 to DM673.80 in the session, while Dresdner Bank relinquished DM2 to DM381, Commerzbank DM2.40 to DM323.60 and Allianz DM15 to DM2,450.

Varta, Europe's largest battery maker, up DM1 to DM272, noted that it expected a "difficult" year in 1995 following a loss last year. However, the company said it expected an improvement by 1996.

Weru, the maker of windows and doors, recorded the most impressive performance of the session, up DM91 or 11.4 per cent to DM890, following the news that Caradon, of the UK, was to take a 43 per cent stake.

AMSTERDAM fell back in late trading on a combination of bond weakness and a slightly easier dollar. The AEX index lost 0.25 at 404.03.

There was continued activity in DSM, Fl 2.50 higher at Fl 128.20, while Royal Dutch moved in reverse, shedding Fl 1.10 to Fl 187.00.

VNU declined Fl 2.50 to Fl 166.50 after the publishing company reported that it expected dollar weakness to have an effect on its 1995 earnings. Océ van der Grinten, the manufacturer of office equipment, advanced 20 cents to Fl 76.20 ahead of results.

MILAN drifted to a lower close in thin volume, with the lack of selling pressure providing some encouragement.

The Comit index finished 0.94 softer at 592.98.

A 4.5 per cent fall in Ferruzzi was attributed by some analysts to renewed talk of a capital call, while others said that the decline was the result of the closing of positions ahead of today's end of the April account by investors who had gambled on the stock's rise during the month. The shares finished L42 down at L877, having touched a low for the year of L871.

Fondiaria weakened L235 to L7,817 as the market braced itself for a capital call. Olivetti, under heavy pressure during the monthly account, picked up L6 to L1,641.

MADRID saw losses across almost all sectors due to late selling ahead of inflation data due today. The general index slipped 0.71 to 275.92.

Trading was heavily concentrated on Repsol, which appreciated Pta20 to Pta3,640 after the price of the company's share offer was fixed late on Monday.

Ence declined Pta30 to Pta2,930 after the government announced plans to privatise 42.6 per cent of the paper company.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Apr 11 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1284.52	1285.15	1284.00	1283.10	1283.42	1283.32	1283.04	1281.08
FT-SE Eurotrack 200	1383.93	1385.16	1384.24	1382.98	1383.40	1383.88	1382.02	1380.31

	Apr 10	Apr 7	Apr 6	Apr 5	Apr 4
FT-SE Eurotrack 100	1282.54	1281.90	1277.90	1267.84	1267.70
FT-SE Eurotrack 200	1378.53	1380.37	1378.90	1372.50	1376.05

Base 1000 (26/10/90); High/day: 100 - 1285.73; 200 - 1386.00 Low/day: 100 - 1280.85 200 - 1378.81 † Partial

Written and edited by Michael Morgan and John Pitt

ASIA PACIFIC

Dollar's rebound eases pessimism on Nikkei outlook

Tokyo

The rebound of the dollar against the yen eased some of the pessimism surrounding the course of the stock market, and share prices gained moderate ground on arbitrage-linked buying and short-covering, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average ended 105.79 firmer at 16,268.88 after fluctuating between 16,109.20 and 16,365.46.

Investors were cheered by the fall in the yen to the Y84 level, prompting buying of electronics and steels. An advance by Nippon Telegraph and Telephone also encouraged sentiment.

The Topix index of all first section stocks put on 8.63 at 1,301.31 and the Nikkei 300 was up 1.67 at 241.39, while gainers led losers by 657 to 322, with 151 issues unchanged. In London the ISE/Nikkei 50 index added 1.56 at 1,074.95.

Volume was 216m shares, against 227m. Traders said the package of economic measures to be announced on Friday prevented further selling, underpinning prices.

Nippon Telegraph and Telephone rose Y17,000 to Y776,000 on active foreign and domestic buying. Hopes that the expected popularity of NTT Data Communications, the company's subsidiary to be listed later this month, would belp tbe parent's stock price prompted buying.

Sumitomo Metal Mining slipped Y7 to Y748. The stock gained ground last week on the rise in gold prices, but traders said the overnight fall in the New York bullion price triggered profit-taking.

High-technology stocks rallied on the yen's decline. Sony rose Y100 to Y4,250 and Toshiba Y8 to Y582, but Hitachi closed Y1 off at Y853 after advancing in the afternoon.

In Osaka, the OSE average moved up 144.82 to 17,989.75 in volume of 7.3m shares.

Roundup

It was a generally quiet day among the region's markets.

SYDNEY improved on offshore buying, especially among leading miners. The All Ordinaries index gained 10.1 at 1,992.6 but had touched 1,997.5. Trading was a modest 164m shares valued at A$436m.

Pacific Dunlop climbed 16 cents to A$3.46 as it announced that it would sell two businesses, carry out a corporate restructuring and buy back up to 10 per cent of its shares through on-market purchases. It also said it was assessing the future of Telectronics, its US heart-pacemaker division.

In the media sector, Seven Network forged ahead 28 cents to A$3.15 on rumours that Mr Rupert Murdoch's News Corp, up 10 cents at A$6.70, might lift its stake from the 15 per cent it already holds.

KUALA LUMPUR halted the slide of the previous three sessions, although motor stocks came undar moderate selling pressure on worries that the surging yen would trim profit margins. The composite index edged up 0.25 to 956.28.

Among motor issues, Perusahaan Otomobil Nasional retreated 15 cents to M$8.45 and Oriental Holdings was down 20 cents at M$12.90.

Some buying was, however, seen in stocks which are to be included in the revised composite index. United Engineers put on 50 cents at M$14.70 and Aokam Perdana gained 20 cents at M$12.90.

SEOUL saw further selling as volume hit a nine-month low, and the composite stock index shed 6.12 to 893.27. Volume totalled 15.3m shares, compared with an average of about 20m last week.

Rumours that the government was preparing market boosting measures prevented share prices falling further, but many investors later expressed doubts about such steps.

SINGAPORE was lower as the market struck a balance between being neither too cheap to buy nor too expensive to sell.

The Straits Times Industrial index fell 10.06 to 2,054.60, with investors said to be pondering the implications of the very strong Singapore dollar on the likely performance of listed companies.

HONG KONG was moderately firmer in quiet trade, the Hang Seng index adding 44.82 at 8,514.60, and turnover, still thin at HK$1.8bn, was an improvament over Monday's HK$1.6bn.

Utilities aroused some buying interest among institutional players, and local investors bought second and third liners after a sharp rise in Hoi Sing Holdings, the construction company.

Shougang Concord Grand is in talks to sell its 36.1 per cent stake in Hoi Sing, which jumped 17 cents to 84 cents.

SHANGHAI's hard currency B shares were lower in active trade on market uncertainties triggered by the death of China's veteran communist leader Chen Yun. The B index lost 0.778 or 1.4 per cent at 55.258 in volume of 13.1m shares.

Some brokers said the death of Chen, one of China's leading economic planners, well known for his conservative views, might benefit the market since it removed a barrier to reform.

MANILA advanced on a technical rally. Tha composite index rose 12.8 to 2,484.00.

Buyers favoured second line issues over blue chips, where some profit-taking came into play. PLDT, for example, dipped 5 pesos to 1,625 pesos. Turnover came to 2.4bn shares valued at 931m pesos.

BANGKOK made ground, with investors particularly interested in telecommunications stocks. The SET index moved forward 12.36 to 1,192.89 in volume of 32.8m shares valued at Bt2.7bn.

Foreign investors bought Shinawatra Computer & Communications and its subsidiary Shinawatra Satellite, with the former up Bt18 at Bt560 and the latter ahead Bt1.50 at Bt50.

TAIPEI retreated amid continued caution over currency worries. The weighted index fell 81.82 to 6,497.06 in turnover of T$38bn. On Monday the Taiwan dollar hit a 31-month high against the US dollar.

WELLINGTON was little changed from Monday's levels after a quiet session of consolidation ahead of key economic data.

The NZSE-40 Capital index ended 10.66 down at 2,057.57 in turnover worth NZ$84.2m.

S Africa struggles back from day's lows

Jobannesburg picked np from tbe day's weakest levels as a late recovery in gold and brigbter world markets saw investors cover short positions, altbough trade was mostly sluggish.

Activity improved in the afternoon session after US PPI data for March initially sparked equity strength in New York and gold edged above $390 an ounce.

Platinum shares came under pressure, however, as recent strength based on platinum price gains ran out of steam.

Investors also remained concerned about the outlook for the golds sector in the face of an unpredictable outlook for the bullion price and ahead of further earnings declines when mines report quarterly results this month, whicb sbould reflect disruptions by first qnarter labour unrest.

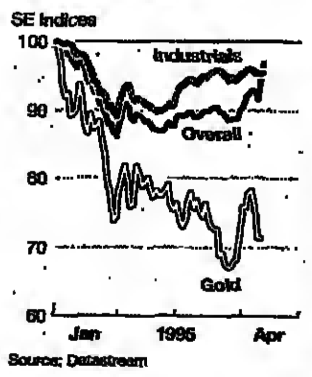
Gold Fields' four gold mines reported a sharp drop in combined first-quarter earnings on Monday.

The overall index ended 42.5 lower at 5,342.8, industrials lost 31.5 at 6,665.1, and golds shed 24.3 to 1,440.2 after Monday's 5.7 per cent fall.

De Beers slipped R1 to R92 and Anglos fell R4 to R200, but Gencor firmed 5 cents to R11.80.

Engen softened 25 cents to R24.75 as it continued to struggle following poor results last week, and SAB lost 75 cents at R97.25.

Johannesburg



Source: Datastream

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY APRIL 10 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY APRIL 7 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (83)	170.51	–0.1	158.63	89.55	124.60	152.92	–0.1	3.96	170.87	157.49	90.79	122.55	153.11	180.82	157.95	170.95
Austria (27)	184.78	–1.5	171.90	97.04	135.02	134.95	0.2	1.28	187.66	173.16	99.83	134.74	134.69	198.89	167.46	179.02
Belgium (35)	184.81	–1.6	171.93	97.06	135.04	131.57	0.1	4.01	187.75	173.24	99.87	134.80	131.41	187.75	161.66	163.40
Brazil (28)	114.03	–2.5	106.09	59.89	83.32	188.39	–2.6	1.72	116.97	107.94	62.22	83.99	193.48	–	–	–
Canada (103)	133.16	0.1	123.86	69.94	97.30	133.51	–0.4	2.62	133.09	122.81	70.80	95.56	134.10	140.25	120.54	130.54
Denmark (33)	255.16	–2.0	237.40	134.02	186.46	191.89	–0.3	1.65	260.45	240.33	138.55	187.01	192.50	275.27	236.61	253.95
Finland (24)	184.15	–2.1	171.32	96.71	134.56	166.57	–0.8	1.43	188.16	173.65	100.10	135.12	167.96	201.41	133.88	145.00
France (101)	190.54	–2.5	187.96	94.82	131.92	138.38	–0.8	3.10	186.25	170.94	98.54	133.01	139.57	185.25	157.79	167.98
Germany (59)	146.95	–2.2	136.71	77.18	107.38	107.38	–0.5	2.10	150.24	138.63	79.92	107.87	107.87	154.81	132.08	137.82
Hong Kong (55)	339.50	–0.1	316.85	178.30	248.08	337.05	–0.1	3.99	339.99	313.73	180.86	244.12	337.51	416.42	277.40	384.14
Ireland (16)	215.82	–1.1	200.79	113.35	157.71	189.55	–0.4	3.58	218.24	201.39	116.10	156.71	190.26	218.24	180.67	182.36
Italy (58)	67.48	–1.6	62.78	35.44	49.31	86.59	–0.6	1.77	68.60	63.31	36.49	49.26	87.15	97.78	65.45	88.53
Japan (483)	156.69	3.3	145.77	82.29	114.50	82.29	2.0	0.93	151.63	139.92	80.66	108.88	80.66	170.10	136.95	153.58
Malaysia (97)	479.13	–1.6	445.75	251.64	350.11	458.27	–2.0	1.74	486.77	449.18	258.94	349.52	467.42	594.76	398.16	441.06
Mexico (18)	921.68	–3.0	857.45	484.06	673.47	6404.01	–3.1	1.70	949.68	876.33	505.16	681.89	6609.00	2414.12	647.81	1849.30
Netherland (19)	235.66	–1.3	219.25	123.77	172.20	186.07	0.8	3.73	238.83	220.38	127.05	171.49	168.52	238.83	194.56	197.21
New Zealand (14)	79.99	0.1	74.41	42.01	58.45	63.86	–0.2	4.59	79.94	73.77	42.53	57.40	63.99	79.99	63.45	65.85
Norway (33)	213.52	–1.2	198.64	112.14	156.02	182.08	0.1	2.32	216.23	199.53	115.02	155.26	181.83	217.74	177.53	190.38
Singapore (44)	359.58	–0.2	334.53	188.86	262.75	231.54	–0.6	1.88	360.17	332.35	191.59	258.61	233.00	401.38	313.46	313.46
South Africa (59)	346.19	–1.8	322.07	181.82	252.96	272.35	–1.6	2.49	352.62	325.38	187.58	253.19	276.70	353.13	205.65	228.10
Spain (36)	134.35	–0.7	124.86	70.56	98.17	127.47	0.2	4.47	135.25	124.80	71.95	67.11	127.16	150.21	124.10	141.25
Sweden (48)	243.39	0.1	226.44	127.83	177.85	264.38	0.1	2.17	243.05	224.28	129.29	174.52	264.22	247.40	196.70	215.31
Switzerland (47)	161.68	–1.8	169.02	95.41	132.75	130.32	0.2	1.93	184.91	170.62	98.36	132.76	130.00	165.67	149.91	162.14
Thailand (46)	138.60	1.6	128.94	72.79	101.28	132.22	1.6	3.21	136.39	125.86	72.56	97.94	130.12	–	–	–
United Kingdom (203)	206.76	–1.0	192.35	108.59	151.08	192.35	–0.2	4.26	208.93	192.79	111.14	150.02	192.79	208.93	161.11	189.01
USA (510)	207.25	0.2	192.80	108.84	151.43	207.25	0.2	2.74	206.89	190.61	110.06	146.55	206.89	207.25	179.72	182.21
Americas (859)	199.81	0.1	176.40	99.58	138.55	159.12	0.1	2.72	189.39	174.76	100.75	135.99	158.97	–	–	–
Europe (741)	178.26	–1.5	165.84	93.62	130.26	160.18	–0.2	3.25	180.99	167.01	96.26	129.95	160.54	180.99	160.59	166.15
Nordic (138)	231.64	–0.8	215.50	121.65	169.26	207.45	–0.1	1.98	233.46	215.42	124.16	167.63	207.74	235.72	197.70	206.13
Pacific Basin (822)	164.26	2.8	152.82	86.27	120.03	92.47	1.6	1.29	159.86	147.52	85.04	114.79	91.00	176.86	145.93	161.92
Euro-Pacific (1563)	170.00	0.8	158.15	89.28	124.22	114.36	0.8	2.15	168.57	155.55	89.67	121.03	113.47	175.14	154.73	163.53
North America (813)	202.66	0.2	188.54	106.43	148.08	202.25	0.1	2.74	202.32	186.69	107.62	145.27	201.96	202.66	176.47	179.00
Europe Ex. UK (538)	159.17	–1.8	148.08	83.59	116.30	128.84	–0.2	2.67	162.04	149.53	86.20	116.35	127.15	162.04	144.12	150.03
Pacific Ex. Japan (339)	240.17	–0.3	223.44	126.14	175.50	210.17	–0.5	3.32	241.00	222.39	128.20	173.05	211.13	273.13	211.19	243.67
World Ex. US (1771)	170.28	0.7	158.42	89.43	124.43	117.85	0.7	2.18	169.05	155.99	89.93	121.38	116.87	176.65	155.42	164.29
World Ex. UK (2078)	178.83	0.7	166.37	93.92	130.67	139.13	0.6	2.17	177.60	163.88	94.47	127.52	138.35	178.83	163.46	167.34
World Ex. Japan (1798)	196.24	–0.6	182.57	103.06	143.39	182.72	–0.1	2.95	197.35	182.10	104.98	141.70	182.82	197.35	175.74	179.57
The World Index (2261)	181.29	0.5	168.66	95.21	132.47	143.75	0.5	2.37	180.34	166.41	95.83	129.49	143.05	181.29	166.92	169.26

Latest prices were unavailable for this edition.

هكذا من الاصل